FOREIGN AGRICULTURE

July
1980

United States Department of Agriculture Foreign Agricultural Service

U.S. Farm Exports Booming Despite Suspension ● Japan Cuts Pork Imports ● U.S. Tobacco Future Uncertain in Common Market ● Iran's Imports of Grain and Livestock at High Level

Expanding World Food Consumption Is Key Factor in Success Of U.S. Farm Exports

Our agriculture is not—and should never be considered—a diplomatic weapon to be used against those who disagree with us politically. Nevertheless, under circumstances so extraordinary as the Soviet aggression in Afghanistan, it is not conscionable that we would continue business as usual with the Soviet Union.

President Carter's suspension of shipments of agricultural commodities to the Soviets on January 4 was carried out under specific provisions of the Export Administration Act, applicable when vital security and foreign policy interests of the United States are affected. This action, moreover, was not unprecedented. The double intent of this action—national security and foreign policy—was also behind the 1950 trade embargo by the Truman Administration against North Korea and President Kennedy's overall embargo against Cuba in 1962. Those embargoes remain in effect today.

As to the suspension's damage to U.S. export prospects—and our reputation with the world as a reliable agricultural supplier—most of our trading partners realize full well that U.S. actions vis-à-vis the USSR are not likely to be repeated—or need to be repeated—with any other country in the world.

There is a big difference in the rationale behind this sale suspension and our earlier halts on farm exports—and most countries understand it. When oilseed and oilseed product shipments were embargoed in 1973, it was because of short supplies. Those actions were taken not for the purpose of national security or foreign policy—but to moderate domestic inflation.

The United States has frequently assured foreign customers that it would not use the short supply criterion to restrict shipments of agricultural products except in extreme emergency. Moreover, by establishing the successful farmer-owned reserve we have virtually eliminated the possibility of such a short supply situation. Our important customers understand that—and they are counting on us as much as ever for their agricultural import needs in the 1980's.

None of us is pleased at the loss of exports to a major customer. But as the figures show, we can do without the Soviets. The USSR has always been an unpredictable market, to which U.S. grain exports have ranged over the past decade from zero to 15 million tons in a given year. In all, the Soviet Union has accounted for only about 10 percent of world imports.

The Soviet share of the U.S. export market can be better understood when we recognize that other export markets have accounted for most of the growth in our export sales. Those other markets, moreover, represent steady, sustainable growth that is less dependent on shifting currents of weather and international politics.

The key factors for U.S. agricultural exports in the 1980's will be the expansion of food consumption in Eastern Europe, in advanced developing countries like Korea, Taiwan, Mexico, Brazil, and in developing countries generally.

The world's grain trade has been growing at an annual rate of about 3 percent, with most of the increase in recent years occurring among "middle income" developing countries and in Eastern Europe.

We expect that in future years, the growth in world grain trade imports—not including the Soviet Union—will continue to average about 3 percent annually. We believe the United States will gain a major portion of that increase.

Overall, the basis for U.S. exports and for market growth in the 80's remains intact. The grain suspension did not change that. Our position as the world's most reliable supplier and most efficient source of agricultural exports has not been damaged.

—Excerpts from remarks by Dale E. Hathaway, Under Secretary for International Affairs and Commodity Programs.

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The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing Foreign Agriculture has been approved by the Director, Office of Management and Budget, through June 30, 1984. Yearly subscription rate: $14.00 domestic, $17.50 foreign; single copies $1.20. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Cover photo: Sampling U.S. wheat at foreign port.

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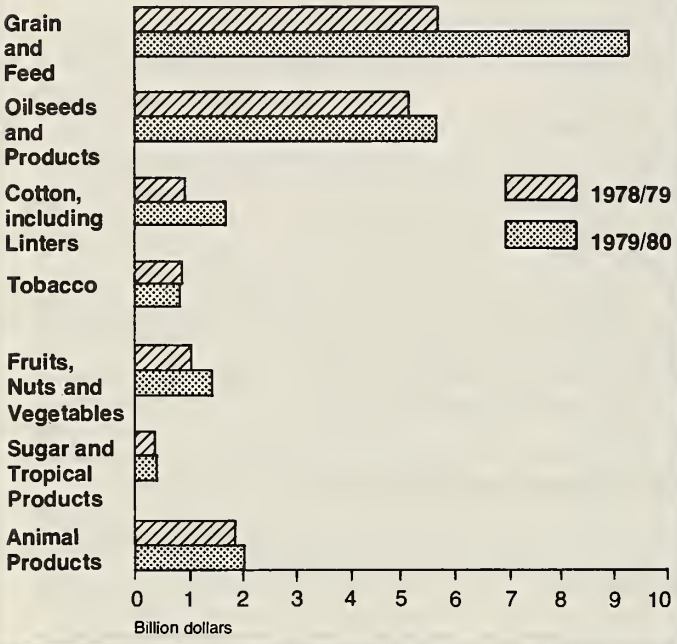

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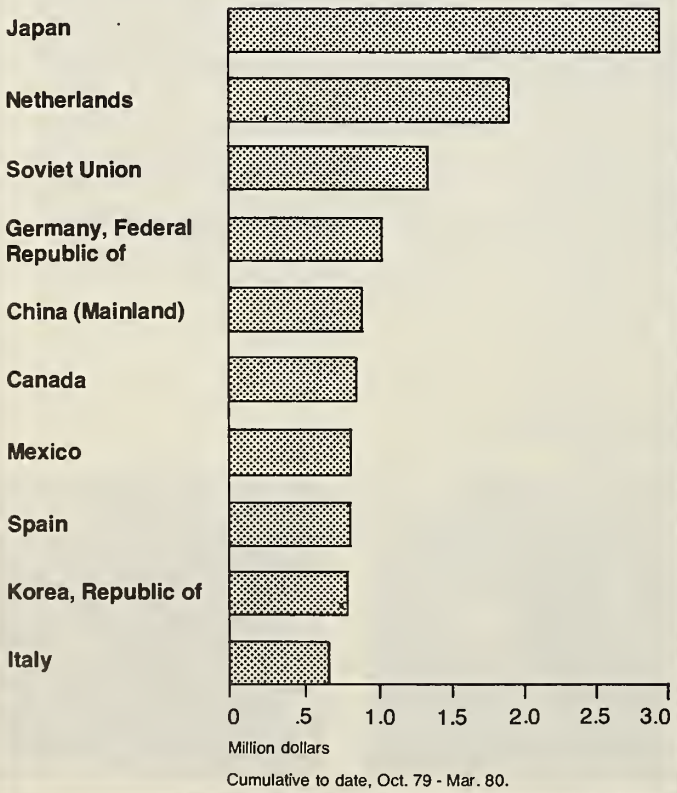

Cumulative to date, Oct. 79 - Mar. 80.

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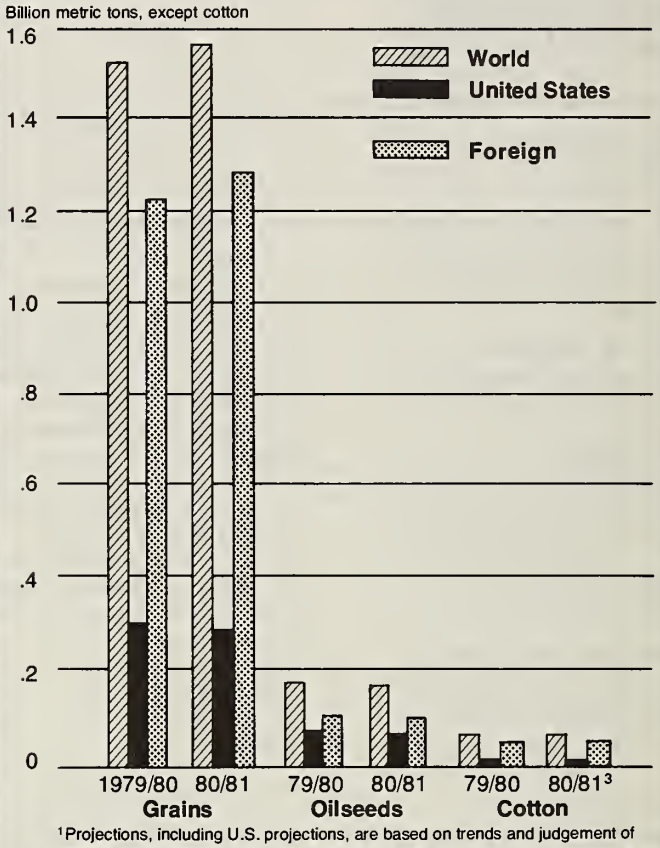
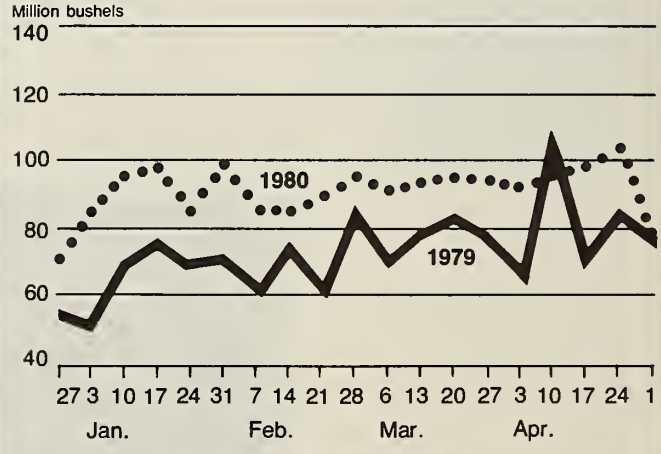


[1]Projections, including U.S. projections, are based on trends and judgement of USDA analysts. Ranges of subtotals are not additive and should encompass final outcome about 2 out of 3 times.
[2]Average
[3]Billions of 480 lb. net bales.

U.S. Inspections of U.S. Grains[1] and Soybeans for Export[2]



[1]Grains include corn, wheat, sorghum, barley, and oats.
[2]Week ending on date given.

COMMODITY UPDATE

EARLY PROSPECTS FOR THE 1980/81 WORLD GRAIN SITUATION CONTINUE TO INDICATE SOME buildup in world wheat stocks as a result of production currently expected to be well above the 1979 level. Stock buildups are especially likely in the Soviet Union and United States. This global outlook contrasts with that of a year ago, when even at the beginning of the season both world grain production and stocks were expected to decline.

Although in recent weeks wheat crop forecasts for the Soviet Union, India, and Canada have been lowered somewhat, larger crops are now suggested for Western and Eastern Europe. The outlook for the 1980/81 coarse grain situation continues to point toward some decreases in world stocks, primarily in the United States. World coarse grain and rice crop forecasts remain unchanged from a month ago.

Early indications continue to suggest a high level of world grain trade in 1980/81, possibly exceeding the 196-million-ton volume of this past year. The forecast of Chinese 1980/81 grain imports has edged upward this past month, based on recent buying activity in a number of countries. Although grain import demand could decline for Eastern Europe, imports are likely to match or exceed last year's level for most of the rest of the world.

In the European regions of the Soviet Union, which produce the bulk of the USSR winter grain crop, generally cool and wet weather has continued to slow winter grain development. Winter grain crops normally comprise about one-third of the total Soviet grain harvest.

Rapid Soviet sowing progress in May helped offset earlier delays in planting, but the late sowing has increased the probability of reduced yields. As a result, the range for Soviet total grain production has been topped off to between 190 million and 220 million tons, including miscellaneous grains, rice, and pulses. Soviet grain imports remain estimated at 22-34 million tons.

WORLD COTTON PRODUCTION FOR 1980/81 IS FORECAST AT 63-68 MILLION BALES (480 lb net), based on the Foreign Agricultural Service's *World Crop Production* circular of June 11. Worldwide, 1979/80 output was estimated at 65.4 million bales. U.S. production in 1980/81 is expected to total between 12.2 and 15.2 million bales, compared with 14.6 million bales in 1979/80.

Foreign production in 1980/81 is forecast at 50.0-53.6 million bales. The Soviet Union's 1980/81 cotton crop is reportedly progressing well.

U.S. exports during 1979/80 are forecast at 9.0 million bales, the highest level since 1931.

Cotton prices have weakened, but remain well above those of a year ago. In May, the Northern Europe Index "A" price averaged 88.40 U.S. cents per pound, c.i.f. This level was 2 cents above the May 1979 price. The index reached its 1979/80 peak of 97.05 cents per pound in February 1980.

DOWNWARD REVISIONS IN THE BRAZILIAN AND ARGENTINE SOYBEAN PRODUCTION FORECASTS highlight the June oilseed situation.

The Brazilian estimate has been reduced to 15.2 million metric tons from 15.6 million, while the Argentine estimate is down 350,000 tons to 3.2 million.

Total world oilseed production for 1979/80 is forecast at 177.5 million tons, 1.2 million tons less than last month's estimate. The 1980/81 production forecast remains unchanged at 162-178 million tons.

U.S. exports of soybeans and products continue at a brisk pace during May. As of May 25, 19.2 million tons of soybeans had been exported during the current marketing year (September-August), approaching the official export estimate of 22.5 million. It appears that U.S. meal and oil exports also will reach or exceed the official estimate of 6.7 million and 1.1 million tons, respectively.

NORTHERN AND SOUTHERN HEMISPHERE CANNED DECIDUOUS FRUIT PACKS ARE BOTH larger in 1979/80 than a year earlier.

Approximately 110 million cases of canned deciduous fruit (excluding apples) were packed in the 1979/80 season by the principal producing countries—88 million by Northern Hemisphere countries and 22 million by countries in the Southern Hemisphere. The Northern Hemisphere pack was nearly 15 percent above the 1978/79 level; the Southern Hemisphere pack was up 5 percent.

The United States is by far the leading world producer. Italy and Greece are the leading European producers, although the Greek pack is predominantly (over 70 percent) peaches. In the Southern Hemisphere, South Africa and Australia dominate production.

The United States ranks second to South Africa as an exporter of canned deciduous fruits but does not rank as the primary exporter of any one category. the largest exporters are Greece and Spain for apricots, Italy for fruit mixtures, South Africa and Greece for peaches, and Italy and Australia for pears.

PRELIMINARY INDICATIONS ARE THAT WORLD CIGARETTE OUTPUT REACHED 4,285 BILLION pieces during 1979. This is only 1.5 percent higher than the revised 1978 total of 4,224 billion pieces and indicates a continuation of the slowdown in the growth rate in world cigarette output that occurred during the last half of the past decade. The rate of increase since 1975 has averaged about 2 percent, compared with rises of between 3 and 4 percent during the early 1970's.

The decelerating growth rate of cigarette output reflects increased worldwide antismoking activity, rising cigarette taxes, and a general slowdown in world economies.

Antismoking programs are escalating not only in developed countries but also in many developing countries. These activities are sponsored by both the private and public sectors.

The cigarette production outlook for 1980 is for an increase of between 1.5 and 2 percent to a total of about 4,350 billion pieces.

WORLD BROILER MEAT PRODUCTION IS EXPECTED TO EXPAND AGAIN IN 1980, stimulated by relatively stable feedgrain prices.

World trade in broiler meat is forecast to increase as well, with the European Community, the United States, and Hungary continuing as leading global exporters.

Brazil, well on its way to becoming another major world supplier, is expected to export 120,000 metric tons in 1980, nearly 50 percent over its 1979 level. Brazil's major markets are in the Middle East, including Iraq, Saudi Arabia, and Kuwait. Broiler exports are encouraged in Brazil by the use of direct Government subsidies.

THE INTERNATIONAL SUGAR AGREEMENT'S STOCK FINANCING FUND WAS SCHEDULED TO GO into effect on July 1, 1980.

Exporters or importers (depending on the contract) moving sugar between member countries after that date will have to contribute 50 U.S. cents per metric ton to a fund that will be available to finance the holding of stocks in exporting countries, should this become necessary.

Operation of the fund had been delayed until the United states became a full member of the ISA. This occurred with the President's signing of implementing legislation in April.

Despite suspension of U.S. farm product sales to the USSR, U.S. agricultural exports are having a banner year.

U.S. Farm Exports Soar in First 7 Months

By Stephen R. Milmoe

Following the January 4, 1980, suspension of U.S. grain and oilseed and product exports to the USSR, it looked as if total U.S. agricultural exports during fiscal 1980 would decline $1 billion below earlier export projections of $38 billion. Now export projections are back up to the presuspension level with actual exports running well above those in the same period last year.

In the first 7 months of fiscal 1980 (October-April), U.S. agricultural exports were 34 percent above the level of a year earlier, to $24.76 billion. This figure represents 65 percent of the current estimate for fiscal 1980, versus 58 percent last year at this time. The export rate would have to drop 25 percent to $2.6 billion a month (from the current rate of $3.5 billion) for the remaining 5 months of the fiscal year in order to reach the current estimate of $38 billion.

Significant volume increases—particularly in grains, oilseeds, and cotton—accounted for most of the gain in total value. Export unit values have been moving up at a steady rate with the exception of soybeans and soybean meal, which have continued to decline from last summer's levels.

U.S. agricultural imports lagged behind the rapid export pace, rising only 10 percent over last year's October-April figure to $10.4 billion. Coffee and sugar have shown the largest absolute increase in value, despite the fact that green coffee imports fell 7 percent in volume. The unit values for coffee and sugar were significantly higher than last year's levels. As a result of soaring sugar prices and tight supplies, the President has reduced the import duty for raw sugar to the statutory minimum (0.625 cents per lb.).

On the other side of the ledger, cocoa bean imports have fallen off by nearly 60 percent as U.S. manufacturers continue to work off high-priced inventories. Imports of cocoa products are faring better.

The agricultural trade surplus thus continues to widen, reaching $14.4 billion in October-April 1979/80 versus $9.1 billion during the same period last year. However, the total U.S. trade deficit also widened, from $12.5 billion to $17.2 billion.

Cotton exports have shown the most dramatic growth among the commodities, rising 78 percent in value during October-April. By the end of April, China had taken 384,307 tons of raw cotton, already well above the level for the last 2 fiscal years combined, and is expected to maintain this pace through September. Historically the largest importers of U.S. cotton, Japan and South Korea are continuing to import at high levels again this year.

Reduced domestic coarse grain supplies in major importing areas such as Spain, Mexico, the USSR, and Eastern Europe have created unprecedented demand for U.S. **feedgrains** in the current fiscal year. During October-April, grain sorghum exports were up 70 percent in volume from year-ago levels to 5.51 million tons. At the present rate, sorghum exports should easily surpass the previous record of 7.1 million tons set in fiscal 1967. Corn exports have risen 37 percent to 36.86 million tons.

Japan, the USSR, Mexico, Eastern Europe, and Spain provided most of the growth in demand for U.S. feedgrains in the first 7 months of fiscal 1980. (Grain exports to the USSR consisted of the 8 million tons of wheat and corn specified in the U.S.-USSR Grain Agreement. Shipment of this quantity was completed by mid-May 1980. Sales beyond that level were suspended as of January 4, 1980, in reaction to the USSR's invasion of Afghanistan.)

Poor corn and sorghum crops in Argentina, a major exporting country, also bolstered U.S. grain exports. In addition, some exporting countries are supplying more grain to the Soviet Union, causing a sharp increase in U.S. grain exports to other markets.

Wheat exports during October-April were up 26 percent from the fiscal 1979 period to 20.09 million tons. The USSR was the major export market, taking 2.3 million tons. Shipments to South America—particularly Colombia, Peru, Brazil, and Chile—were up 75-80 percent, since Argentina, a major supplier to this area, is diverting some of its exportable surplus to the USSR.

As of April, the export unit value of wheat had stabilized at around $180 per ton, $40 a ton above the year-earlier level.

U.S. **rice** export volume was 12 percent above last year's, owing mainly to exceptionally large shipments of 384,002 tons to South Korea. Indonesia and Iraq also have increased their purchases of U.S. rice. Total exports of brown rice have risen nearly 200 percent (441,070 tons) from October-April 1978/79. Milled rice exports fell 7 percent to 1.17 million tons.

U.S. exports of **feeds and fodders** were up significantly in the first 7

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months of fiscal 1980. The Netherlands, taking mostly corn gluten feed and meal, accounted for half of the $583 million worth shipped during October-April. At its present pace, feeds and fodders could well become another $1 billion export.

Soybean exports amounted to 16.19 million tons in October-April, an increase of 10 percent or 1.5 million tons over those in the same period of fiscal 1979. Spain continues to exhibit strong demand for U.S. soybeans; shipments there of 1.85 million tons in the first 7 months of fiscal 1980 were above the totals for the previous 2 fiscal years.

Soybean prices have fallen by nearly $40 a ton from last summer's high of $293 per ton, in response to abundant world supplies.

Declining prices have also hit the **soybean meal** market, where prices fell from $248 a ton in July 1979 to $216 a ton in April 1980. The volume of soybean meal exports, however, was up 18 percent in the first 7 months of fiscal 1980. The Netherlands had taken 737,838 tons by the end of April, an increase of 62 percent from last year's level. Eastern Europe had taken 1.24 million tons, versus 989,897 tons by the same time last year.

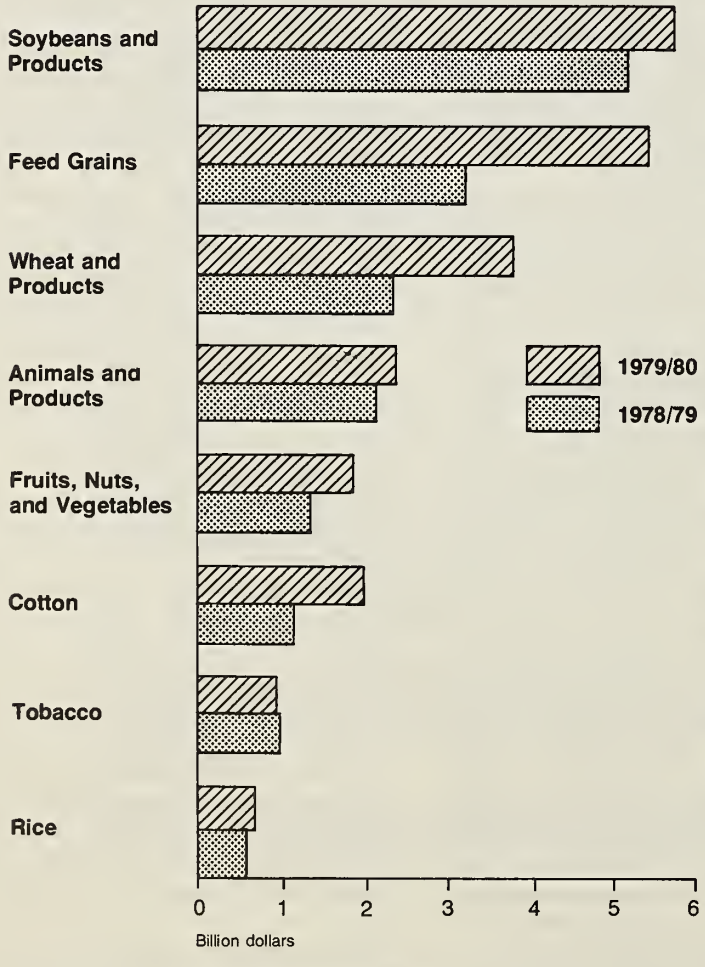
U.S. exports of **animals and animal products** (including poultry items) were up 10 percent to $2.35 billion in the first 7 months of fiscal 1980. Poultry and poultry products showed the largest gain ($74.8 million). Nonfat dry milk (NFDM) exports were up following last year's subpar performance, and Mexico has taken India's place as the top market for NFDM. Japan's share of U.S. meat and meat-preparation exports fell 4 percent in the first 7 months of fiscal 1980. U.S. exports of whole cattle hides dropped 22 percent in volume as importers worked off their inventories of high-priced skins. Export unit prices of whole cattle hides plummeted 21 percent in April, returning to the December 1979-January 1980 level of $31-$33.

Exports of **fruits and preparations** were up 28 percent to $745 million as raisins and fresh fruit (particularly apples) recovered from last year's reduced levels.

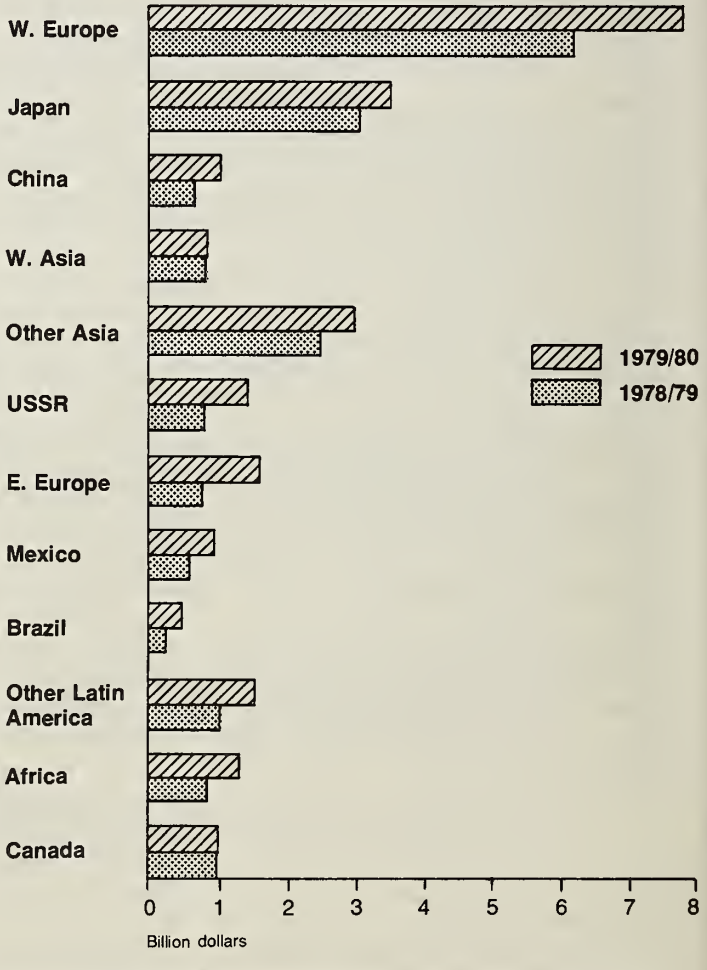
Sales of **vegetables and preparations** rose 23 percent above last October-April fueled by a $68-million increase in exports of dried beans. Fresh vegetable exports were off by $54 million, with onions and lettuce showing the largest decreases.

Exports of **unmanufactured tobacco** during October-April were 4 percent below year-ago levels to $922 million. However, exports during March-April were considerably higher (30 percent) than in the same 1979 period. □

U.S. Agricultural Exports by Commodity (October-April)



U.S. Agricultural Exports by Country/Region (October-April)



Japan's Pork Imports Head Downward as Domestic Supply Gains

By Arthur Hausamann

Following a strong recovery last year, Japan's pork imports are heading downward once again, with consequently reduced prospects for U.S. pork in its leading overseas market.

Japanese pork imports during 1980 are expected to fall to about 100,000 metric tons from the 133,000 purchased in 1979, continuing the volatile swings that have characterized trade during the past decade. Assuming it holds onto its 1979 market share of 24 percent, the United States can expect to account for about 24,000 tons of these imports, compared with 32,000 in 1979.

The last downturn in Japanese pork imports—from 150,000 tons in 1976 to 108,000 in 1978—was cut short by price rises for competitive meats such as mutton and fish. In addition, profitability of Japanese pork production held up longer than usual for periods of abundant supply owing to bargain feed prices that resulted from declines in the U.S. dollar vis-à-vis the Japanese yen. The recent appreciation of the dollar against the yen, however, has cancelled out the latter advantage at a time when increased Japanese production and low prices have triggered restrictive minimum import prices.

For the United States, this means not only a smaller market in Japan but also possibly stiffened competition from Canada and the European Community (EC). These suppliers now hold larger shares of the Japanese market than the once-dominant United States, which recently has been unable to advance beyond 25 percent compared with 30 percent or more held prior to 1977.

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Canada's propensity for long-term contracts with Japan and the EC's use of an export subsidy on pork have created an advantage over U.S. exporters and contributed to the changes in market share. Some Japanese and other traders also claim as a contributing factor the very keen attention paid by Canada and the EC to particular characteristics of the Japanese pork market; these include close trimming and other product presentation aspects.

When Japan's pork supply is large and prices low, of course, the EC advantages are intensified, along with the importance of specially tailored market servicing. These conditions have put the United States in an increasingly residual supplier role in the Japanese market, with its share plunging as low as 13 percent during periods of high Japanese pork output.

Minimum Import Prices Used To Control Trade

Contributing to the volatility of Japan's pork imports is a minimum import price (MIP) that provides extensive protection to the country's large and growing pork industry. Implemented in October 1971 as a replacement of import quotas, the MIP operates in conjunction with price supports that keep Japanese wholesale prices for pork carcasses at about twice the U.S. market price.

In March 1980, for example, the Japanese domestic wholesale price for First-Class skinned hog carcasses was about 600 yen per kilogram or $1.09 per pound (mid-April 1980 exchange rate). In the United States, the March 29, 1980, gross cut-out value of a 165-pound hog carcass, based on carlot prices of pork cuts and yields from USDA cutting tests, was less than 50 cents per pound.

Japan obtains 65 percent of its feedgrain and over 90 percent of its soybeans from the United States and thus is vulnerable to changes both in world commodity prices and currency alinements. During much of the past decade, Japanese pork producers benefited from appreciation of the Japanese yen against the U.S. dollar and the consequent reduction in cost of imported feed. This advantage was temporarily reduced in 1973 and 1974, when high U.S. grain and soybean prices caused Japanese hog mixed-feed price ratios to weaken and brought short-term cutbacks in hog numbers.

From 1975 until mid-1979, Japan again had generally advantageous hog mixed-feed ratios (mainly owing to yen appreciation against the dollar). They were sufficiently favorable, in fact, to encourage a 20 percent gain in Japanese pork production and 23 percent increase in hog numbers between 1977 and 1980, even though domestic pork prices were coming down. Growth was sustained by the greater decline in feed prices than in hog and pork prices, owing partly to the yen appreciation factor.

Since late 1979, the yen has been depreciating against the dollar and the price of feed has risen. Also, in September 1979, Japan's market price of hogs fell below the support level. Additional feed price increases occurred in the first half of 1980, reflecting a continued decline in the value of the Japanese yen alongside higher U.S. commodity prices and freight rates.

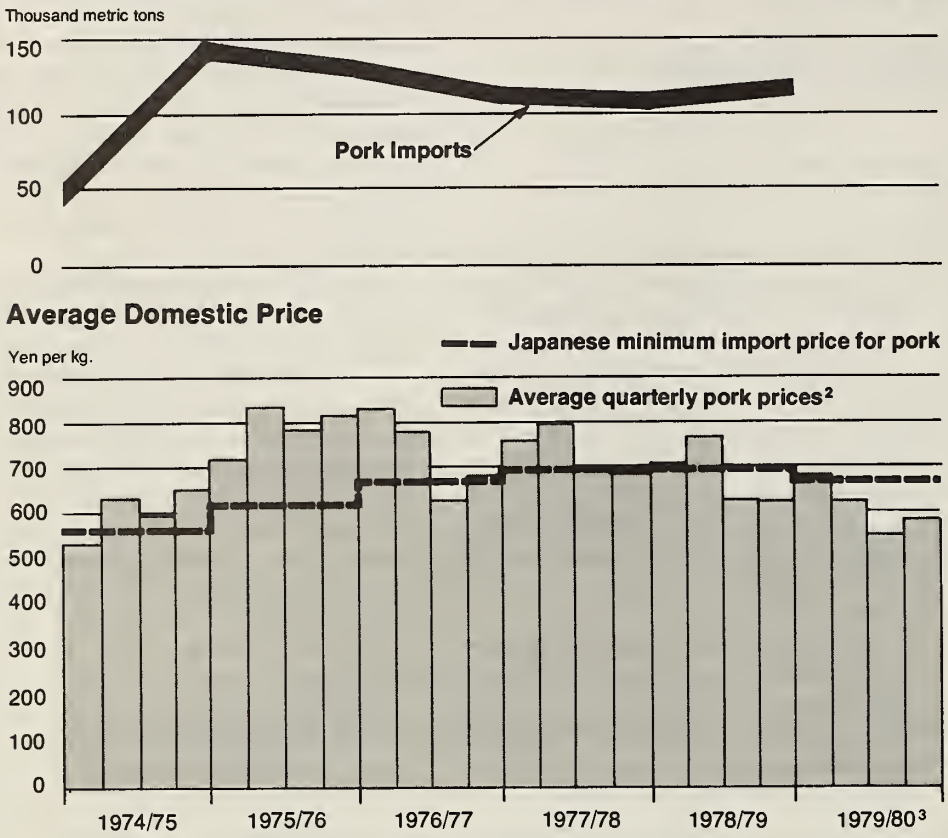
Pork producers have responded by culling herds, with sow numbers as of February 1980, 1 percent below the year-earlier level. Further herd reduction is seen for the remainder of calendar 1980. This continued reduction and consequent heavy slaughter, plus already-existing intervention (Government) stocks of both domestic and imported pork, will probably hold Japan's pork imports below the previous year's level until at least early 1981.

Price Substitution Of Meats and Fish

A third major factor influencing Japanese pork imports has been the price of other meats and fish in Japan.

Mutton is imported free of duties and levies and used in the production of lower priced processed "ham." Thus, it is directly substitutable for imported pork, which also largely moves into processed products. These products are premium prepared items,

A Comparison of Japanese Imports of Fresh, Chilled, and Frozen Pork with Changes in Domestic Prices, 1974-80[1]



[1]Japanese fiscal years beginning April 1.
[2]First-class skinned carcassas, Tokyo.
[3]Estimated.

As Japanese Domestic Market Prices Fall Below Minimum Import Price, Imports Trend Downward.

Japanese Imports of Fresh, Chilled, and Frozen Pork, Calendar Years 1975-79 and 1980 Forecast

[in 1,000 metric tons, product weight]

Year	United States	European Community	Canada	Total
1975	43	24	26	125
1976	60	20	27	149
1977	24	19	35	110
1978	25	25	31	103
1979	32	44	32	131
1980 forecast	—	—	—	100

[1]Mostly imports from Denmark. Total from EC would be 5,000 tons larger if canned and prepared products were included.

Japanese Fresh Fish Prices Compared With Prices for First and Second Class Pork Carcasses, Calendar 1974-79

[In yen per kilogram]

Year	Pork		Fresh fish
	First Class[1]	Second Class[2]	
1974	559	514	476
1975	743	695	520
1976	747	679	613
1977	732	690	695
1978	698	639	683
1979	621	550	723

[1]Forty percent of all pork. [2]Sixty percent of all pork.

rather than ground, manufactured products. During 1979, mutton prices increased rapidly, following 3 years of relative stability. In March 1980, mutton prices were 26 percent above the record 1979 levels, and these imports were down 13 percent during the first quarter of 1980.

This substitutability between mutton and pork may be one reason for the rise in Japan's pork imports in 1979. And mutton prices may have the same effect on pork imports in 1980, because of the expected continued tight mutton supplies.

Fish prices also have become more important. In 1974, owing mainly to Japan's oil-shocked economic recession, fish and other meat prices in Japan fell substantially and by relatively equal amounts. Consequently, total meat imports dropped by more than 40 percent, with pork purchases falling to only 42,000 tons.

Since 1977, fresh fish prices have risen rapidly, while per capita fish consumption has fallen for the first time since 1969. These high fish prices appear to be another important reason why pork imports (along with other meat imports) remained at the 100,000-ton-per-year level in 1977, 1978, and 1979, despite increasing domestic pork supplies.

This fish-price development reflects fishing limits imposed since 1977 by the United States, the USSR, and other countries in their 200-mile economic zones. Since imposition of these limits, Japanese catches of high-quality fish have declined and prices of such fish have risen. From 1976 to 1978, the Japanese catch on the high seas, including foreign waters where about 30 percent of this catch originates, declined 24 percent.

The greatest upward price pressure has been on high-quality or premium fish products, which are in demand in all countries. These fishing controls are also expected to encourage greater expansion of both Japanese meat production and imports, including pork.

U.S. Competitive Position

The two major U.S. competitors in the Japanese market are Canada and Denmark.

Canada has tended to maintain its share of the Japanese market by utilizing longer-term sales agreements or contracts, which are facilitated by the Canadian Government's pork price-

How Japan's Minimum Import Price System Works

Because of the gap between Japanese prices and those in the world marketplace, Japan must artifically adjust domestic supply in order to maintain hog production profitability while trying to minimize increases in retail prices. It attempts this by using minimum import prices (MIP's) in conjunction with support (floor) and ceiling prices. These prices are fixed by April 1 of each year and are measured against the Tokyo wholesale price of First-Class skinned hog carcasses.

The floor price is used to determine when the Government should purchase and store pork in an effort to support prices. The ceiling, conversely, can trigger release of intervention stocks, as well as relaxation of import charges to permit greater imports during times of higher prices.

MIPs are used for both carcass pork and pork cuts, the latter being the most important since imports consist largely of cuts. For carcass pork, the MIP is set at the mid-point between the floor and ceiling prices. For pork cuts, it is 133 percent of the carcass MIP, which amounts to 901 yen per kilogram ($1.63 per lb) for 1980/81 (April-March).

When Japanese hog carcass prices are near or below the MIP, imports are usually reduced. This condition has prevailed so far in 1980/81, with the MIP at 676 yen per kilogram or $1.23 per pound, compared with a Tokyo wholesale price of about 600 yen in April 1980.

Particularly hard hit during such times are imports of lower quality pork cuts that—owing to the MIP—end up being priced at levels well above their value in a market already saturated with low-priced domestic pork. The only imported pork products that are competitive at these times are the high-value cuts (mainly closely trimmed loins and hams), or certain combinations of higher and lower valued cuts that adhere closely to purchase specifications.

Import charges on pork are based on c.i.f. prices (cost, insurance, and freight delivered to Japanese ports). If the c.i.f. price is 91.2 percent of the MIP or above, a duty of 8.8 percent is charged. If it is 91.2 percent or less of the MIP, a levy equal to only the difference between the MIP and the c.i.f. price is charged in place of the duty. (In this case the importer's total cost is less than in the case of the c.i.f. duty-paid cost.)

When Japanese pork prices, as determined by the hog carcass price in Tokyo, rise above the ceiling price, the Japanese Government usually tries to encourage imports. To accomplish this, the duty is sometimes waived on imports that have c.i.f. prices above the MIP level.

This system of duties and levies has been modified only once—from June 19 to October 31, 1976. At that time, in addition to the duty waiver, special MIP's were instituted to replace the two MIP's normally applied. During this special period there were six different MIP's for pork cuts; all based on the relative value of the different cuts, plus a special reduced MIP for pork carcasses. For example, the special MIP for pork loins was 9 percent greater than the normal MIP for pork cuts, while for bellies it was only 63 percent of the normally applied MIP for pork cuts.

support program. Denmark, a major pork exporter, uses an EC export subsidy that currently is equivalent to about 35 U.S. cents per pound for fresh pork.

When Japan's domestic pork supply is large and prices low, this increased barrier to imports makes market servicing, tailored specifically to Japan, even more important. And it intensifies the long-term contract and export-subsidy advantages that the EC and Canada already have over the United States.

The Canadian long-term contracts and the Danish subsidies have allowed these countries to maintain a relatively stable market in Japan, while U.S. exporters increasingly have been residual suppliers. In addition, some Japanese and U.S. sources say that many U.S. exporters do not adhere as closely to purchase specifications--such as close trim and certain packaging aspects—as do the Canadians, Danes, and other competitors.

These factors have been especially critical since the end of 1976 because of increasing Japanese domestic production and the Japanese Government's resistance to imports as part of its price stabilization program. Such conditions have held Japan's domestic pork prices below the MIP and reduced imports of lower priced pork cuts, which the United States has mainly supplied to Japan rather than the higher priced products that require closer adherence to purchase specifications.

There is some question as to whether U.S. exporters can provide the type of trim and other preparation required by many Japanese importers at prices and other terms that could profitably compete with the Canadian contract and the EC subsidy advantages.

In the first 2 years of the MIP system, 1972 and 1973, the United States had little competition and held first place in the expanding Japanese pork market.

In late 1973 and for most of 1974, high feed prices caused the Japanese farmers to cull their hog herds. To slow this herd reduction, the Japanese Government increased pork support prices by 33 percent on April 1, 1974. This action also increased the MIP price by the same amount. The higher support prices did not raise domestic prices sufficiently to stop the herd culling because feed prices rose more than the hog support price and the hog mixed-feed price ratio remained unfavorable.

The increased MIP's did, however, cause imports to become uncompetitive as domestic prices increased only 12 percent, while the MIP's increased 33 percent. This left domestic hog carcass prices below the MIP level for most of the first quarter of 1974—the first time the domestic prices fell below the MIP. As a result, imports declined from 125,000 tons in 1973 to 42,000 in 1974.

The U.S. share in this same period fell from 33 percent to only 13 percent, as the import tonnage from the United States plummeted 88 percent—from 42,000 tons to 5,000. Canada's market

share, in contrast, increased from 16 percent to 28 percent even though its actual exports fell 45 percent to 11,000 tons.

Heavy herd culling caused by the sharp jump in grain prices and unfavorable hog mixed-feed ratios during 1974 was followed by a nearly 10-percent decline in hog slaughtering during 1975 and a consequent surge in pork prices. Slaughter levels fell further in 1976. These slaughter declines kept Japanese pork prices during April 1975-August 1976 near or above the ceiling level. This made all qualities and price levels of pork imports competitive, and U.S. suppliers—with more total tonnage to export than their competitors—gained a bigger share of this expanding market. Canada and Denmark, with their smaller production bases, did not have this supply flexibility.

In 1977 and 1978, Japanese hog herds had largely been rebuilt and slaughter increased, pushing domestic prices near or below the MIP level in 5 of the 8 quarters. These low prices caused U.S. exports to fall from 60,000 tons in 1976 to about 25,000 in both 1977 and 1978; however, imports from Canada and the EC increased owing to their competitive advantages.

In 1979, Japanese pork imports increased about 27 percent over 1978 levels, and the EC became the major supplier with 34 percent of the market. While Japanese imports from the United States were up 28 percent in 1979, the U.S. share of the market (24 percent) was only slightly better than that reached in 1977 and 1978; and it remained below the 30 percent shares of 1975 and 1976.

Now, as trade prospects once again dim in 1980, the United States has come up against the continued problem of tapping a heavily restricted market in which only the higher-priced pork cuts can compete. If the United States could find ways to supply increased quantities of such pork, it should be able to hold onto about 25 percent of the market. Chances of gaining more than that share are slim, however, given the export subsidy and long-term contracting competition from the EC and Canada.

Any liberalization/expansion of Japan's pork imports should work in favor of the United States, with its more bountiful supply and wider range of prices than available from Canada and the EC. □

Brazil Outlines Strategy For Expanded Rice Output

By Peter J. Buzzanell

Brazil, the largest rice producer in the Western Hemisphere and normally a net exporter of rice, has set a four-point priority program to boost production and eliminate the need for imports in drought years.

The program also is aimed at reducing Brazil's heavy dependence on upland rice (grown on dry land, and thus vulnerable to drought), which accounts for a substantial part of total rice production.

Brazil's overall rice yields have been relatively low. Rice was imported in 1978 and 1979 to help meet domestic demand.

Brazil's rice crop for the 1980/81 (Apr.-Mar.) year is forecast at a record 8.6 million metric tons (paddy), a substantial comeback from the drought-reduced 1979/80 harvest of 7.6 million tons. A crop of 6.2 million tons in the 1979/80 year is projected for the United States, and one of 1.6 million tons for Colombia, the next largest Western Hemisphere producers.

Rice yields in Brazil have averaged only around 1,400 kilograms per hectare in recent years, compared with 5,000 kilograms per hectare in the United States and 4,300 kilograms per hectare in Colombia.

The Government strategy for increasing rice production and lowering dependence on upland rice encompasses these points:

- Increase yields in existing irrigated areas. In Rio Grande do Sul and Santa Catarina—which are dominated by irrigated rice agriculture—land suitable for pump irrigation is already occupied. Higher levels of output can only come about through improved productivity. In Rio Grande do Sul, where yields in recent years have been around 3,700 kilograms per hectare, the goal is to boost yields to 4,000-4,500 kilograms per hectare.

Such increases are regarded as critical, as the production cost of irrigated rice for last year's crop in Rio Grande do Sul; was Cr$21,000 ($480) per hectare, of which irrigation costs

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Rice growing under irrigation in Rio Grande do Sul, Brazil. Higher yields and expanded irrigated area are part of the strategy for increased production.

alone accounted for 17 percent. Researchers at Brazil's Rice and Bean Research Center (CNPAF) are confident that the target can be reached, as yields in some areas of the state already exceed the goals. The problem is to upgrade the low-yield areas—and at a time when energy costs and overall production costs are increasing.

• Establish new irrigation districts. Efforts are being made to stimulate development of new irrigated rice areas, primarily in regions where production costs can be minimized by natural hydrological conditions (e.g., on flat topography, where only drainage is required). Government researchers have identified northern Goiás and parts of Para State as viable areas for implementation of this strategy.

In Northern Goiás, production costs per hectare last year were only Cr$15,000 ($340), 40 percent lower than the cost per hectare in Rio Grande do Sul. The Formosa project, which went into production in northern Goiás this season, is being watched closely as an indicator of the viability of this strategy.

• Stimulate production of upland rice in areas of lower drought risk. Government researchers have identified—based on climatic data—areas where upland rice could be cultivated at lower risk from prolonged droughts during rainy seasons.

Where conditions of precipitation are fairly well distributed, upland rice yields can average 2,500 kilograms per hectare. Selected regions of northern Goiás, Mato Grosso, southern Para, Amazonas, and Rondônia have been identified as potential areas for this strategy.

Shifting rice production to and/or stimulating greater rice production in these regions is another priority goal.

• Generate new technology for upland rice in areas not favored by good distribution of rainfall. Government researchers believe it is inadvisable to substitute upland rice completely for irrigated rice, or to shift upland production entirely to more favorable climatic areas.

Planting upland rice has been and will remain a viable system for opening frontier land, principally in the Cerrados (open savannas). While yields in these areas are low—1,000-1,100 kilograms per hectare—production costs also are low. In 1978, the cost of producing rice in the Cerrados was only Cr$8,000 ($180) per hectare, compared with Cr$21,000 ($480) for irrigated rice in Rio Grande do Sul and Cr$15,000 ($340) for irrigated rice in northern Goiás.

The researchers aim to develop more drought-resistant varieties that efficiently use low levels of fertilization. An improvement of yields to 1,400-1,500 kilograms per hectare would do much to improve the aggregate output in these areas.

Overall, these strategies aim at striking better balance between upland and irrigated rice production. The 1983 production goal is for sufficient supplies to meet future domestic growth in demand. If successful, Brazil could even produce a consistent exportable surplus for sale in the international market—a goal that ties in with Brazil's macroeconomic objectives of maximizing foreign exchange earnings from the agricultural sector.

Increased rice plantings for the 1980/81 year are being spurred by positive farmer reaction to good market prices, added financing for production loans, and a significant increase in the minimum support price.

Despite good market prices and greater support through Government programs, optimism is tempered by possibility that adverse weather may again diminish production significantly.

Weather in central Brazil again will play a key role in the volume of output. About 75 percent of Brazil's rice crop is obtained from upland rice, which is very sensitive to rainfall deficits during the growing season.

The problems of the drought-reduced 1979 crop, which initially was forecast at 8.9 million tons and ended with actual production of 7.6 million tons, illustrates Brazil's heavy dependence on upland rice—the seven major upland rice states produced 64.7 percent of the crop on 78.2 percent of total area, while irrigated rice growing states produced 25.4 percent on 11.9 percent of total area.

(Upland rice production predominates in Goiás, Minas Gerais, Maranhao, Mato Grosso do Sul, Paraná, Mato Grosso, and São Paulo; irrigated output is chiefly in Rio Grande do Sul and Santa Catarina.)

The tendency toward instability in production has increased in recent years as a result of a shift in the balance between irrigated and upland rice area. In 1955, for example, production of upland rice was only 1.5 million tons greater than irrigated rice, but in 1979, upland rice production was three times greater.

The gain in the proportion of upland to irrigated rice has heightened the overall instability in the annual supply of domestically produced rice, and this situation has been developing while rice was becoming an increasingly important staple in the Brazilian diet.

Utilization of new-crop rice is expected to reach 5.95 million tons (milled), compared with around 4.3 million tons in the early 1970's and 3.7 million tons in the early 1960's.

With the growth in domestic production and the long-term dietary shift away from manioc, rice has become a much more important basic food for Brazilians. Human consumption of rice in Brazil has been trending up with population growth at about 2.5-3 percent per year.

However, actual per capita consumption recently has been trending downward, in part because of relatively high rice prices compared with subsidized prices for wheat products. Short-term shifts in domestic consumption are attributed to the availability of rice supplies as well as the relative price of beans, as many Brazilians normally eat rice and beans together.

In recent years, Brazil has been a net exporter of rice, including whole-grain parboiled rice. In years of surplus production, rice exports often have been subsidized by the Government.

Rice exports in 1977 were a record 408,434 tons (milled), earning the equivalent of $88.5 million. In contrast, rice imports that year totaled only 419 tons.

The smaller crop harvest in 1978 and 1979 forced Brazil to import heavily to meet domestic needs. Imports in 1978—mainly from Asia—totaled 57,173 tons, valued at $16.8 million, and 1979 imports reached an estimated 745,000 tons, valued at about $224 million.

A 1980/81 crop of 9.7 million tons (paddy) added to carry-in stocks of around 400,000 tons (milled) should eliminate any need for imports. However, exports are not foreseen—as stocks will need to be rebuilt. Brazil's stocks policy is to carry about 1 month's supply—450,000-500,000 tons (milled). □

U.S. Tobacco Faces An Uncertain Future In the European Community

As the 1980's begin, U.S. exporters of unmanufactured tobacco face intensification of the problems that confronted them in the important European's Community (EC) market during the 1970's.

That decade saw some U.S. success in overcoming roadblocks imposed by rising EC duties on high-quality U.S. tobaccos and proliferating trade preferences for competing suppliers, as witnessed by the record U.S. exports to the Community in 1978. But the decade ended with U.S. exports to the EC dropping sharply during 1979 in the face of a small U.S. crop and reduced demand within the Community after heavy stockpiling the year before.

U.S. exports of unmanufactured tobacco to the EC thus totaled only 108,908 metric tons (worth $458 million) in 1979, compared with the record 152,476 tons ($618 million) shipped in 1978 and 121,293 tons sold in 1970. The U.S. share of the EC tobacco market, furthermore, has failed to rise above the 30 percent recorded in 1965 and 1970. Even in the flush trade year of 1978, U.S. tobacco accounted for only 29.7 percent of total imports by the Community, and its share probably fell sharply in 1979.

Reflecting this diminished importance, the United States last year sold 42 percent of its total unmanufactured tobacco exports to the Community. This compared with 48 and 38 percent, respectively, in 1978 and 1977, and 58 percent averaged in the 5 years ended June 30, 1972.

Far the largest decline last year was in shipments to the United Kingdom. These skidded to 30,914 tons from 67,503 in 1978, as sales returned to normal levels.

In 1978, U.S. exports to the United Kingdom had been inflated because of duty advantages under the European Unit of Account (EUA) conversion system, whereby it was cheaper to pay the duty in British pounds, than in Deutsche marks, Belgian francs, and other EC currencies. this situation changed in 1979.

The reduced level of exports is seen continuing at least for the near term, as a result of stepped-up competition from third country suppliers. Further adding to the uncertainty are several other current and prospective changes, including:

- Pending EC implementation of an EC-wide cigarette excise tax structure, which—if largely ad valorem—could deter the use of high-quality U.S. leaf;
- The return of Rhodesia, now Zimbabwe, to the EC marketplace with a large 1980 crop for export and considerable carryover stocks available from previous years;
- Prospective enlargement of the EC to include Greece in 1981 and Spain in the mid-1980's, with attendant increases in incentives for production of burley and flue-cured tobaccos that could in some instances be competive with U.S. tobacco.

On the plus side, EC duties on U.S. unmanufactured tobacco have been reduced by one-third, beginning January 1, 1980, as a result of tariff concessions won in the Tokyo Round of the Multilateral Trade Negotiations.

The biggest unknown currently revolves around harmonization of EC cigarette taxes and the extent to which ad valorem charges will be emphasized over specific taxes.

By Beverly Horsley, Associate Editor, Foreign Agriculture.

EC Imports of Unmanufactured Tobacco and U.S. Market Share, 1965-69 Average and 1970-79

Year	U.S.	Brazil	Canada	Italy	India	Other	Total	U.S. share
				Metric tons				*Percent*
1965-69 average	149,697	21,295	20,854	5,389	23,006	221,298	441,539	33.9
1970	129,950	24,063	22,179	6,148	20,794	237,334	440,468	29.5
1971	135,390	26,980	24,111	9,846	21,033	261,743	479,103	28.3
1972	150,455	26,382	27,163	12,748	18,587	266,980	502,315	30.0
1973	155,788	32,209	20,359	16,362	28,111	312,560	565,389	27.6
1974	136,075	39,586	31,781	32,781	36,355	322,739	599,317	22.7
1975	128,801	45,250	22,896	23,425	33,282	282,339	535,993	24.0
1976	125,096	48,428	17,470	29,361	30,427	290,600	541,382	23.1
1977	112,346	62,202	19,336	31,536	36,159	269,179	531,358	21.1
1978	188,390	56,026	25,803	32,369	34,401	298,004	634,999	29.7

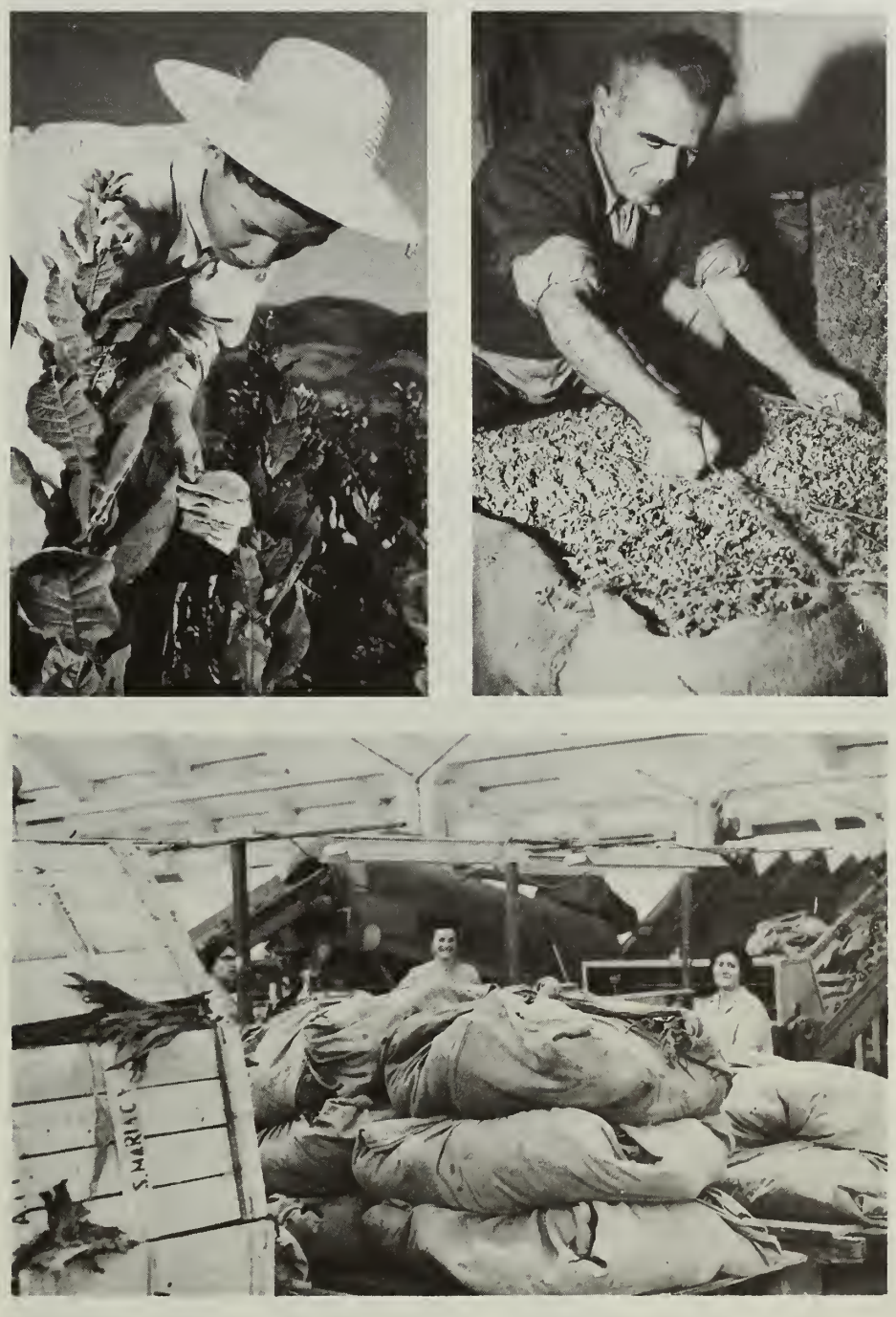
As the ad valorem element of these taxes increases, so does the threat to imports of high-quality leaf such as that imported from the United States. This is because ad valorem charges, which are measured in percentage terms, rise in line with the cost of the imported tobacco, whereas specific duties do not. On the other hand, increased ad valorem rates would further encourage use of subsidized EC tobacco and higher imports of lower quality leaf from U.S. competitors.

The EC has been working toward harmonization of taxes charged by individual members since 1973, when it introduced what was to be a phased program resulting in a common tax structure by the end of 1980. The first stage, which ended June 30, 1978, consisted of the broad requirement that taxes levied against manufactured tobacco products have a specific element of not more than 75 percent and not less than 5 percent. In the second stage, implemented July 1 of that year, this range was narrowed to not more than 55 percent and not less than 5 percent.

EC members are now at an impasse over the shape of the final structure.

A recent EC Commission working paper suggested that EC cigarette tax structures be standardized at a split of roughly 20 percent specific taxes and 80 percent ad valorem. Because of the large ad valorem element, this could be highly detrimental to U.S. tobacco exports to the EC.

The impact of these taxes is measured in terms of multipliers, which simply means the amount by which retail prices would be altered by changes in factory prices. A predominantly ad valorem tax will multiply any increase in cost deriving, for instance, from a rise in price of raw tobacco; on the other hand, it will



Top, handpicking and packing of tobacco in Greece—a prospective European Community member and the world's leading producer of oriental tobacco. Above, processing tobacco in Italy, which currently ranks as the largest producer of tobacco in the European Community.

bring a comparable reduction in cigarette price when costs are lowered by changing blends to incorporate large quantities of cheaper leaf.

To date, inability of Member States to agree on a formula for the third stage suggests that the second stage of harmonization may have to be extended for another year. Needless to say, the ultimate outcome of this exercise will be of extreme importance to U.S. tobacco exporters.

Proliferating Supply Of Lower Quality Leaf

Obviously, if the EC's tax harmonization discourages trade in U.S. tobacco, it will have an offsetting stimulative effect on imports of lower quality leaf, particularly flue-cured and burley tobaccos needed for the manufacture of American-type blended cigarettes.

Such trade already has been given encouragement, by several developments, including the EC's system of preferential tariffs.

Trade also has been affected by the UN sanctions and embargoes taken in response to Rhodesia's Unilateral Declaration of Independence (UDI) in 1965. This left a trade gap in the Community that was partly filled by increased tobacco exports from Brazil, Korea, Thailand, India, Malawi, and others. The United States also gained an unusually large share, which rose from 32 percent in 1965 to a peak of 51 percent in 1971 only to decline again to around 29 percent in 1979.

Later, the tobacco CAP, introduced in 1970, encouraged production within EC nations such as Italy and France by providing favorable support prices behind a high tariff wall; it also effectively subsidized EC tobacco through buyers' premiums that make this tobacco available within the EC at prices below those paid for comparable imports.

Competition within the market has been further heightened by tariff preferences for EC Associate Members and developing countries. Currently, raw tobacco moves into the EC free of duty from Greece, Turkey, and members of the Lomé Convention. In addition, some 60,000 tons a year of tobacco from developing countries—including India—is subject to only half the bound duty rate under terms of the Generalized System of Preferences.

The change in trade patterns has been most pronounced in the United Kingdom, which before joining the EC in 1970 imported high-quality flue-cured leaf almost exclusively. The United Kingdom later became an important transshipment point, but actual consumption within this world's largest tobacco importer generally has stagnated in recent years.

Now, Rhodesia's return to the marketplace as the independent nation of Zimbabwe adds still another dimension to trade that increasingly seems to be favoring non-U.S. suppliers. Zimbabwe in 1979 harvested a tobacco crop of 112,000 tons, the largest since 1964, and is expected to produce about that much again in 1980. Since its exports were severely restricted prior to the removal of the UN trade sanctions in December 1979, Zimbabwe not only has large exportable supplies from its current crop, but a large carryover from previous crops as well.

The results already have been seen in the sluggish prices on Zimbabwe's recently reopened tobacco auction and the depressed prices also for nearby producers such as Malawi.

However, the country now enjoys duty-free status in the EC and hopes to regain a sizable share of the market it once held. These exports reached a peak of 115,429 tons in 1964.

Tobacco growers in Zimbabwe also expect to push on to new production peaks, with some sources predicting that output will increase by about 10 percent a year.

Looking further ahead, Greece, Portugal, and Spain are slated to become members of an enlarged EC within the next 5 years, with possible mixed effects on U.S. trade.

In the case of Portugal and Greece the impact on U.S. tobacco trade should be minimal. Portugal is a net importer of tobacco. Greece produces mainly oriental tobacco, which is not produced in the United States and—because it is in surplus worldwide—unlikely to be encouraged under the EC tobacco CAP. Some encouragement may be given to Greek production of burley and flue-cured tobaccos, but they are generally of low quality and would meet with stiff competition within the EC from Italy.

Spain Approaching Production Goal

Spain, a market for 9,043 tons of U.S. tobacco in 1978 but only 459 tons in 1979, hopes to boost its tobacco self-sufficiency level to 80 percent from 20 percent in 1978. In 1979 alone, the country made good headway toward that goal, producing a record 38,084 tons compared with 29,775 the year before. This puts it only about 7,000 tons shy of the 45,000 tons needed for 80 percent self-sufficiency at current consumption levels.

While Spanish output of flue-cured has risen in response to high support prices, dark tobaccos still account for the bulk of production. Consumer demand, on the other hand, is rapidly shifting to light tobaccos; if these production/consumption trends continue after EC membership, the country will probably continue to import light U.S. tobacco for blending purposes.

The possibility of increased exports of Spanish tobacco so far poses little direct threat to U.S. trade but apparently has caused some concern among Italian exporters. □

U.S. Unmanufactured Tobacco Exports to the EC

[In metric tons]

Destination	1970	Average 1972-76	1977	1978	1979
EC:					
Belgium-Luxemburg ..	5,625	5,400	4,742	7,646	2,472
Denmark	8,165	8,689	7,659	12,280	7,430
France	4,082	3,656	2,853	4,445	5,228
Germany, West	42,003	41,769	35,767	24,125	30,709
Ireland	4,627	4,476	2,434	2,382	3,109
Italy	1,406	12,153	18,432	18,592	15,769
Netherlands	12,066	12,666	13,852	15,503	13,277
U.K.	43,319	43,494	21,242	67,503	30,914
Total	121,293	132,303	106,981	152,476	108,908
Total world	231,498	273,134	285,131	317,527	257,387

Second Half of 1980 Exhibit Plan Offers Trade Opportunities

The second half of the year's FAS exhibit schedule—designed to promote the export of U.S. food products and livestock—provides U.S. tradesmen with opportunities to show their products to carefully selected trade audiences in Europe, Latin America, and Asia. Included in the remaining events are solo FAS full-product line food shows, livestock exhibits, sales team trips, and participation in international fairs.

The remainder of the schedule includes:

• **August—**

16-27 Esteio, Brazil—International Agricultural Fair (Livestock Show).

19-Sept. 4 Budapest, Hungary—69th National Agricultural and Food Industry show.

26-27 Tokyo, Japan—Fancy Foods and Confectionary Show (Solo U.S. Exhibit).

• **September—**

2-3 Singapore—Solo U.S. Exhibit.

8-10 Caracas, Venezuela—Solo U.S. Exhibit.

15-16 Trinidad—Sales Team visit following Venezuela exhibit.

18-19 Barbados—Sales Team visit following Venezuela exhibit.

19-24 Munich, Germany—IKOFA International Exhibit.

19-28 Cremona, Italy—Dairy Livestock show.

29-30 Canary Islands—Sales Team visit.

• **November—**

4-5 London, England—Solo U.S. Exhibit.

During the last half of 1979 and the first half of 1980, FAS sponsored sales team visits to five Caribbean cities and solo exhibits in six cities, including a showing of U.S. red meat, poultry, and seafood products in Tokyo. FAS also coordinated participation in three cattle and dairy shows in Mexico, a livestock show and a swine show in Italy, and ROKA International Exhibit.

Exporters interested in participating in any of the remaining 1980 promotional events can get full information from the Director, Export Trade Services Division. See address on page 24. □

FAS-sponsored food exhibits around the world (clockwise from right): West Berlin, Bahrain, and Tokyo. U.S. food tradesmen have introduced their products to new markets and improved their standings in established ones by exhibiting at FAS food shows.

USDA Sales Teams Enlarge Markets for U.S. Goods

Sales teams sponsored by FAS will visit cities in Europe and the Caribbean during the remainder of fiscal 1980 as part of the agency's program to promote overseas sales of U.S. foods, many of them not generally known in foreign countries.

In September 1980, following an FAS food exhibit in Caracas, Venezuela, a sales team will visit the Caribbean islands of Trinidad and Barbados. Later, a team of exhibitors will visit the Canary Islands, September 29-30.

The first team during fiscal 1980 visited Guadeloupe, Antigua, and the Bahamas in November 1979, with the second traveling to San Jose (Costa Rica) and Panama City in late January and early February.

The results achieved during the 10-day FAS-sponsored export sales team visit to the three Caribbean islands in November demonstrate the value of

continued on poge 24

FGIS Helps Maintain Quality Status of U.S. Grain Exports

By Al Sylvester

The Federal Grain Inspection Service (FGIS) has become an important factor in maintaining the status of U.S. grain as a quality product with foreign buyers in the fourth year of its existence.

The U.S. Congress created FGIS as a separate USDA agency in late 1976 to develop a more uniform system for inspecting and weighing U.S. grains, including soybeans—thus strengthening U.S. reputation as a dependable supplier. An integral part of the program is the International Monitoring System that sends teams of specialists to major marketplaces of the world.

The international monitoring staff was established within the FGIS specifically to act as a liaison with foreign buyers of U.S. grains. Basically, it processes complaints and inquiries from foreign buyers and selectively monitors the quality and quantity of U.S. grain shipments at overseas points.

"This system is very important to us," says FGIS Administrator Leland Bartelt. "It is essential that we have a central unit to educate and to learn from our customers. It is just as important that we have a single mechanism to respond to complaints from those customers."

Irving Turbow, Comptroller of Israel's Supply Mission, feels that the U.S. grain handling system has shown vast improvements since FGIS arrived on the scene.

"For example, we used to have a lot of problems with the quality of corn, such as broken grains and foreign matter," he said. "This has improved. The results should get even better under the new system of sending teams abroad to learn of problems on a first-hand basis."

Turbow was referring to the teams FGIS sends to foreign countries—the new system to establish monitoring programs of grain receipts at foreign ports, and to educate FGIS officials on requirements of foreign buyers as well as to check on complaints.

At the close of its first year as a fully staffed operational unit, 10 trips to 33 foreign countries had been made and 43 complaints had been investigated.

The procedure for logging a complaint has been kept simple and direct. If a foreign buyer has problems with U.S. grains the first step is to contact the U.S. agricultural attaché, who will provide the correct forms for transmittal of the information about the problem to the FGIS.

Once the information is received by the international monitoring staff the investigation begins. The staff obtains grain samples from both shipping and receiving points. It obtains copies of relevant records and attempts to determine:

- Whether the complaint is valid;
- Whether the problem can be corrected; and
- Whether present technology and procedures are adequate to prevent a recurrence.

Through the monitoring team concept, the FGIS moves rapidly in situations that might result in a foreign complaint.

For example, there was evidence that an export elevator might have failed to deliver all the contents of a shipping bin to a vessel. A team of specialists was dispatched to monitor the discharge of the ship. The data collected revealed there was a substantial weight shortage, and the situation was corrected. Because of the swift action of the FGIS monitoring team a short-weight complaint was averted.

Sometimes the situation is beyond the control of the FGIS investigators. Insect infestation in a shipment of Soft Red Winter wheat is a case in point.

Some of the grain at destination showed traces of visible insect infestation. Records also showed that 26 days had elapsed between loading of the grain, and its unloading. Since about 28 days are required for the insect egg to reach adult stage, this elapsed time would have greatly increased the probability of visible insect infestation.

Although presently there is no way to determine hidden insect infestation that was believed to have been involved here, FGIS is seeking means to effectively detect hidden infestation in grain samples. Research is

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The author is an information specialist with the Agricultural Marketing Service.

David Orr, member of the FGIS international monitoring team, discusses sample of U.S. grain with officials at a foreign port. FGIS sends teams of specialists to the major marketplaces of the world to check on the quality and quantity of U.S. grain shipments at overseas points.

being conducted with a near infrared carbon dioxide analyzer that could detect such hidden infestation.

Sometimes, investigators uncover problems that cannot be resolved. A complaint from a buyer about excessive foreign material (FM) in soybeans is a good example.

Examination of the origin file samples did not show the excessive FM observed in the destination samples. The discrepancy between the two sets of samples was attributed to differences in sampling methods.

There was some doubt about the conclusion, because the kind of FM in the destination samples was not like that normally found in soybeans. However, there was no way to establish exactly the source of the FM in the destination samples.

Mechanical samplers at loading elevators are monitored to ensure they draw a sample that is fully representative of the grain going aboard the vessel.

In one elevator, it was suspected that spouting attached to a mechanical sampler under certain conditions did not draw a representative sample; however, there were no data to show representative samples were not being taken. But, to remove all doubts about the accuracy of the sampling system, the elevator in question was required to modify the loading system.

When investigating specific complaints, the FGIS international monitoring staff usually sends one of its staff members along with other selected specialists, depending on the type of complaint.

The specialists may have a wide variety of backgrounds. For example, a veterinarian from another USDA agency was sent to investigate the deaths of animals believed to have been caused by U.S. barley. The investigation showed that this was not the case—but the prompt response earned the appreciation of the buyer.

But as crucial as the investigation and review of complaints are, two other types of foreign trips by the international monitoring staff are even more important for FGIS.

Monitoring teams are sent abroad to sample and visually monitor the inspection and weighing of U.S. grain upon arrival at foreign ports. This is done on a random basis.

The objective of the monitoring trips is manifold: to crosscheck compliance of exporters with FGIS regulations to

In top photo, members of the FGIS sprout damage coordination team, along with their Japanese counterparts, examine bread quality during a visit to a Flour Millers' Association laboratory in Japan. A protruding television camera—in upper right corner of middle photo—allows grain inspectors to visually certify from the inspection office that grain is flowing into ocean-going vessels. In bottom photo, an inspectors scans the closed-circuit television system at Norfolk, Va., which allows him to monitor grain sampling and loading operations.

determine potential problem areas at either the export or discharge ports, and to keep abreast of inspection and weighing techniques and equipment used in the ports of the world.

Technical teams also are sent abroad to meet with grain groups and other allied groups for discussions of FGIS policies and procedures. These discussions help clarify any questions about FGIS programs, and to exchange ideas related to grain marketing.

Objectives of these trips are to reduce the number of foreign complaints; to eliminate misunderstandings by explaining the FGIS role in the overall grain marketing system; to determine compatibility of the contract specifications for the grain with end use; and to serve as an aid to the U.S. agricultural attaché in furnishing information about the inspection and weighing system.

How are these types of visits working? For the most part, rather well, according to Bartelt.

"We have been able to explain how grain buyers can use the system to get the quality of grain they need for specific end uses," he said. "We've been able to show them how to cut down on the amount of breakage in the corn they receive, and how to reduce the amount of sprout damage received in wheat."

Commenting on the FGIS system, Akihiko Yoshiya of the Japanese Food Agency, based in Portland, Oreg., says, "We appreciate for the United States Government to put such an effort on it...I think it is useful to trade smoothly and for the future."

Soviet and American scientists, prior to the trade suspension announced by President Carter in January 1980, were collaborating on testing new fumigants and their use in solving the infestation problem, in bulk handling of grain.

Bartelt sees the entire inspection, weighing, and monitoring system as a means of ensuring that the United States remains a dependable supplier of quality grain to the world.

"By putting the weight of the U.S. Government behind the inspection and weighing system, we are telling the world that we have such confidence in the system that we are willing to use national authority to ensure that foreign buyers receive the quality of grain and food products that they ordered." □

Romania's Larger Herds And Flocks To Boost Total Feed Demand

By Harold T. Sanden

Romania's ambitious plans to expand its livestock and poultry industries in the 1980's should call for significant increases in imports of feedgrains and soybeans.

Production of these feedstuffs—as well as feeding technology—in Romania is barely sufficient to supply existing cattle, swine, and poultry numbers. Projections for larger herds and flocks indicate that Romania could become a viable customer for U.S. feedgrains and soybeans for years to come.

Known as "the breadbasket of Middle Europe" since the days of the Roman Empire, Romania has been regarded through the centuries as an important source of cereal grains.

Mr. Sanden, a marketing specialist in the Dairy, Livestock, and Poultry Division, formerly was U.S. Agricultural Attaché in Romania.

Workers inspecting sausages in one of Romania's meat storage facilities. Higher levels of production in pork, beef, and poultry are providing significantly larger foreign-exchange earnings in export markets.

Since World War II, it has supplied its East European neighbors with sunflowerseed products and potatoes, as well as grain.

The shift toward a livestock-oriented agricultural economy in Romania started in the 1960's to generate hard-currency export earnings and thus aid in financing the country's rapid expansion in heavy industry—machinery, steel, tractors and other automotive products, and petrochemicals.

Today, higher levels of production in pork, beef, and poultry are providing significantly larger foreign-exchange earnings in export markets. But even with increased production, export goals are not being met, so further expansion in all sectors of the livestock industry is planned.

Romania's livestock population on January 1, 1980, was 10.9 million head of swine, 6.5 million cattle, 16.2 million sheep, and 99.7 million chickens. Plans call for 100 percent increases in swine and poultry production during the 1980's and a 50 percent gain in cattle numbers during the decade.

The sheep population has already increased over 12 percent since 1975. New breeds are being imported from New Zealand and Australia under a 5-year plan to crossbreed with the native Tigai and Turcana breeds, which are noted for their long wool and milk-producing qualities.

Financing for the projected expansion in livestock and poultry numbers is coming mainly from World Bank activity in Romania. As a member of the International Monetary Fund as well as the World Bank, Romania already has obtained a $75 million loan for construction of new swine complexes (combinats) and construction of several new pork-processing plants.

Negotiations for an $85 million loan to expand Romanian broiler and poultry processing industries are in progress. A $130-million World Bank loan to finance extensive irrigation projects is already in place. These irrigation projects, when completed, will provide needed water for feedgrain and soybean production. Commercial bank loans also are being negotiated to supplement the World Bank loans.

Most of the projected increases in output from the livestock and poultry industries are to be available for export, with all sectors except dairying scheduled to participate in the stepped-up export effort.

At present, Romania exports canned pork to North America and the United Kingdom. Baby beef is shipped to Italy, Libya, and some Middle Eastern destinations.

Kosher slaughter at three Romanian meat plants provides products for shipment to Israel. Moslem slaughter gives the country an outlet for dressed beef, lamb, and mutton in North Africa and the Middle East.

Poultry processing plants, which are located near the larger state farm broiler production units, ship such products as boneless breasts to Italy, legs and thighs to Japan, and combinations of these items to Middle Eastern markets.

Feeding costs, too, are lower than in Western countries. Live calf prices average $1.25-$1.33 per kilogram, cost to feed lot—and domestic corn is priced at about $100 per ton to the feed lot.

Finished, fed baby beef brings $1.20-$1.23 per kilogram, live weight basis. At present, most young bulls supplying baby beef are fed mainly on roughages—a relatively low-energy ration. The bulls are fed to a live weight of 400 kilograms over a period of 15 months.

Feeding these animals a higher energy ration would permit a faster daily rate of gain and permit sale of the animals at heavier weights in a shorter period of time.

Although financing Romania's program of livestock expansion presents no apparent problem, the availability of feedstuffs does.

Romania in recent years has been hard hit by midsummer droughts, which have serious curtailed feedgrain production. An expansion of irrigated farming could bring partial relief. Romania at present is adding about 250,000 hectares of land annually to its irrigated area, and plans to have 5 million hectares under irrigation by 1990.

However, the projected increases in production of feedgrains, fodder, and soybeans resulting from extension of irrigation still will be insufficient to meet the anticipated future demands of the livestock feeding industry.

Both the poultry and cattle sectors of the industry are already short of high-energy feeds, and across-the-board increases in livestock numbers will necessitate some significant levels of imported feedstuffs on a continuing basis.

Another deficiency facing Romania's livestock sector is the lack of efficient feeding technology—a need destined to come into sharper focus as the industry expands.

Programs sponsored by the Foreign Agricultural Service and such organizations as the U.S. Feed Grains Council and the American Soybean Association are bringing the necessary expertise to Romania under formal agreements signed by the Romanian Government and the respective U.S. trade associations.

Experts are brought in to work directly with officials in the feeding units, and seminars are held to bring U.S. knowledge to the Romanian industry.

Trips—several during 1979—to feedlots, experiment stations, and large feedmills in the United States also provide the Romanian specialists with information to help their future programs for livestock feeding.

In addition to opening new and expanded markets for U.S. exports of feedgrains, soybeans, and plant proteins, the Romanian expansion program also may provide more outlets for exports of U.S. breeding animals.

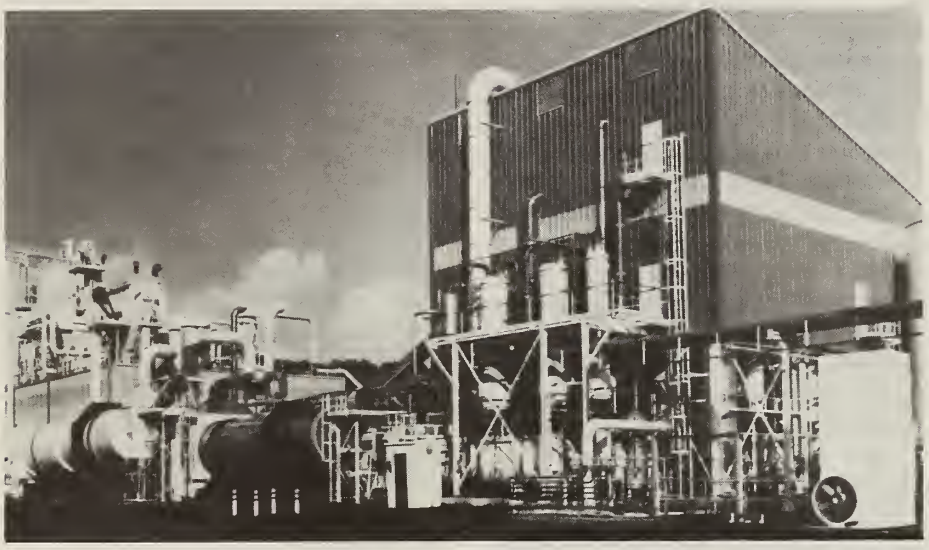
During 1979, more than 600 U.S. breeding swine were exported to Romania to improve the genetic makeup of swine. And Romania is now considering plans to import some 500 head of U.S. Holstein cattle to be placed on a demonstration farm, where their milk production performance can be accurately recorded.

Romania already is a significant U.S. market for U.S. agricultural commodities. In 1978, the largest single dollar export item was cattle hides—$52.2 million worth. Shipments of U.S. cotton to Romania in 1978 returned almost $20 million. Exports of feedgrains in 1979 were 979,307 metric tons, compared with 327,320 tons in 1978.

U.S. exports of soybeans and meal to Romania in the first 11 months of 1979 led all other farm items in value—$130.9 million.

Total U.S. agricultural exports to Romania in 1979 were valued at $336.5 million, compared with $148.5 million in 1978, and projected total bilateral sales in 1980 may reach the $1-billion mark. □

European Community Makes Further Inroads in U.S. Share of British Market



Top and center: Some U.K. imports of soybean meal and wine probably originated in a French soybean crushing plant and vineyard similar to those shown here. Bottom: U.S. vegetables—including celery—were imported by the United Kingdom in 1979.

Two-fifths of the United Kingdom's agricultural imports in 1979 came from other members of the European Community. The leading single country supplier to the U.K. market was the United States.

The EC, however, continued to make inroads in the U.S. share of the market, and to nibble at the shares of other (third country) suppliers.

Always one of the world's largest importers of farm products, the United Kingdom may find it difficult to reduce its agricultural import needs because of circumstances in both EC and U.K. farm sectors. Competition for larger shares of the market is likely to become more intense.

The EC provided 41.8 percent of all U.K. agricultural imports in 1979, valued at $6.66 billion.[1] In 1978, the EC share was 39.7 percent and the value, $6.03 billion.

In 1979, the U.S. share of the U.K. agricultural import market was 10.5 percent, with a value of $1.68 billion, compared with a 12.1 percent share and a $1.84 billion value in 1978. (See *Foreign Agriculture*, May 1980 issue.)

The other countries that make up the top 10 U.K. suppliers were Ireland, the Netherlands, Denmark, France, New Zealand, West Germany, Canada, Italy, and South Africa. Their market shares ranged from a high of 9.4 percent for Ireland to 2.7 percent for South Africa. The value of U.K. imports from these countries ranged from $1.49 billion (Ireland) to $424 million (South Africa).

Among the major EC suppliers, Ireland was the clear leader with its 9.4 percent share of all U.K. agricultural imports and 22 percent of the EC total. After Ireland came the Netherlands with 8.2 percent of all of the United Kingdom's agricultural imports last year, pushing Denmark into third place in the EC with a 7.7 percent share. France's share of the U.K. total was 7.3 percent, compared with 7.5 percent in 1978.

The share of New Zealand in 1979 fell to 5.2 percent against the previous year's 5.8 percent. Seventh in order of world importance came West Germany, which increased its share to 4 percent, compared with 3.5 percent in 1978. Canada came in eighth, marginally increasing its share of the total from 3.4 percent to 3.5 percent.

There was a relatively strong

[1]Based on an average exchange rate of £1 = US$2.1228.

increase in the importance of Italy, which had 3.2 percent of the total in 1979. The importance of South Africa, in tenth place, declined a little to 2.7 percent, compared with its 2.9 percent the previous year.

The relative importance of the Netherlands is probably exaggerated inasmuch as large amounts of agricultural products imported from the Netherlands consist of items processed there from imported raw materials such as oilseeds, tropical products, and cigar tobacco, which are turned into animal feeds, animal and vegetable oils and fats, a wide range of miscellaneous food products, and cigars.

The value of all U.K. agricultural imports in 1979 was $15.9 billion, up from $15.2 billion in 1978.

The EC's major strengths as a U.K. supplier were in livestock, meats and preparations, dairy products, fruits and vegetables, wines, cereals, and a wide range of food preparations. All of these showed growth in 1979 except livestock and cereals.

The drop in U.K. live animal imports reflected a switch in destinations for Irish cattle exports from the United Kingdom to other markets. There also were indications that the livestock sector of the Irish Republic—which normally provides nearly all U.K. live animal imports—now prefers to ship a larger proportion of its output in the form of finished products.

The marked gain in U.K. imports of EC fruits and vegetables reflects mainly the increasing dominance of French apples and of other fruits and vegetables from Italy. The sharp rise in imports of EC beer and wines largely reflects rising U.K. consumption.

U.K. imports of grains from the EC were affected by the same factors that cut U.K. imports of U.S. feedgrains—two record British wheat harvests in 1978 and 1979 and heavy supplies of domestic barley, which encouraged continued high use as components in feed rations. Also, the excellent quality of wheat from the 1978 crop led to its greater use in milling. Combined, these factors led to a 43 percent drop in U.K. imports of EC wheat in 1979 to 647,000 tons.

On the other hand, imports of EC corn, almost entirely from France, rose 212,000 tons to 683,000 tons, and contributed to reduced imports of U.S. corn by 294,000 tons.

It appears that large U.K. wheat outturn reduces wheat imports from the Community, although not from North America, inasmuch as U.S. and Canadian hard wheat has no readily available substitute for use in U.K. flour milling. A large U.K. wheat crop also is liable to cut the United Kingdom's import requirements for corn for feed, with the United States and France competing to fill the remainder of U.K. corn needs.

Also larger in 1979 were U.K. imports of EC animal feeds. The major expansion was in imports of EC soybean meal, up by 65 percent to 243,000 tons. A considerable proportion of this amount, however, must have been from U.S. soybeans imported by, and crushed in, the Netherlands.

In 1979, as in 1978, two of the four major EC suppliers of agricultural imports to the U.K. market were Ireland and Denmark.

Last year, 41.6 percent of all Irish exports to the United Kingdom were in the agricultural sector and about 67 percent of these were in the livestock, meat, and dairy categories.

Denmark's share of the market was 53.7 percent in 1979, a little less than in 1978, mainly because of a reduction in dairy products. Even so, meat and preparations—notably pigmeat—and dairy products, accounted for about 82 percent of total U.K. imports from Denmark.

The rise in West Germany's importance as a U.K. supplier (on a value basis) originally resulted from a sizable "green" rate disparity between the two countries at a time when the U.K. green pound was considerably overvalued and the green mark vastly undervalued. This led to extremely high Monetary Compensatory Amounts (MCA's) subsidizing West German exports of foodstuffs to Britian.

In 1979, this green rate gap narrowed as successive green pound devaluations brought the British green pound closer to the exchange value of sterling against other EC currencies.

By and large, in 1979 there were few significant changes in U.K. imports from West Germany of commodities benefiting from MCA's. The largest gains were in wines and tropical products, the latter consisting mostly of preparations manufactured in West Germany from imported raw materials.

Of the commodities benefiting from MCA's, only West German cereals showed much gain because green pound devaluations enacted in early 1979 did not take effect on grains until August 1. In the meat and dairy sectors, where green pound devaluations took effect immediately, there was virtually no change in import levels from West Germany.

Behind the weakening of the U.S. trade position was a $257 million drop in imports of U.S. tobacco and oilseeds—$206 million of the total fall accounted for by tobacco alone.

Imports of U.S. flue-cured tobacco fell by 43 percent from 1978's inflated level to 44.5 million kilograms in 1979, the result of the return to a normal import level.

In 1978, there had been a sharp rise in U.K. reexports of flue-cured tobacco because it was advantageous to import tobacco through the United Kingdom rather than to ship it directly to other EC destinations, mainly West Germany. In early 1979, such transshipments continued at a high rate but the later strengthening of sterling weakened the advantages of using the United Kingdom as a transshipment point and the practice was stopped.

In the oilseed sector, a reduction in takings of U.S. soybeans caused an overall drop in U.K. imports of U.S. oilseeds in 1979, partly because of increased U.K. production of rapeseed stimulated by the EC CAP (Common Agricultural Policy), but also because of the developing market for sunflowerseed oil margarine.

The United Kingdom took 864,000 tons of U.S. soybeans—some 257,000 tons less than in 1978.

Cereals remained the most important commodity group imported from the United States. In 1979, the value of all U.K. cereal imports from this country rose by $37 million to $545 million. Given a nearly 8 percent rise in the average unit value of such imports from the United States, it appears that in real terms value rose very little.

About 70 percent of all grain imported from the United States was corn, the value of which fell by 5 percent between 1978 and 1979 to $362 million. The volume was down by 294,000 tons to 2.26 million tons.

At the same time, however, there was a large increase in imports of U.S. wheat last year. Value went up by 88

percent to $137 million and volume by 94 percent to 656,000 tons.

Almost all of the increases in imports of U.S. wheat were at the expense of Canada, whose shipments—largely of hard wheat for bread flour—fell by 291,000 tons. The United Kingdom does not grow this type of wheat and the boost in imports from the United States does not reflect any continuing growth in U.K. hard wheat requirements.

In other sectors, the United States did reasonably well. The biggest gain came in imports of animal feed, including soybean meal. With the drop in soybean imports, crushings were down and the livestock industry increased its use of imported soybean meal, some 260,000 tons coming directly from the United States.

New Zealand, normally in first or second place as a supplier prior to the United Kingdom's EC entry, is now in sixth place. This slide seriously affects New Zealand's agricultural sector. In 1979, 94 percent of all New Zealand's exports to the United Kingdom were agricultural and 78 percent of these were in two sectors—meats and dairy products.

British membership in the EC poses a particular threat to imports of dairy products—including those from New Zealand. Already, imports of New Zealand cheese have virtually stopped and imports of its butter may be cut off with the expiration of Protocol 18 of the Treaty of (EC) Accession at the end of 1980. The Protocol guarantees New Zealand's right of access to the U.K. market, but not in perpetuity.

The Community's dairy-producing countries are looking with covetous eyes on the market that would open if New Zealand butter (120,000 tons imported by the United Kingdom in 1979) were replaced by EC butter. Even British dairy farmers would like to see a sharp reduction in New Zealand's shipments. A further threat comes from proposals to phase out the EC's consumer subsidy on butter.

A subsidy removal would, of course, affect consumption of all butter, including that manufactured in the Community.

Another threat to New Zealand's trade position is the dispute between France and the United Kingdom over lamb. France refuses to admit British lamb because, it says, imports of New Zealand lamb permit the United Kingdom to slash its own lamb prices on the French market. It is likely France will continue to refuse entry until an EC Common Agricultural Policy is adopted for lambmeat.

The British Government, for its part, is likely to reject such a CAP because of the cost of administering it, the danger that Community lamb would pose to U.K. lamb producers, and its commitment to New Zealand.

Canada will probably hold its trade with the United Kingdom better than New Zealand, mainly because the Community and Britain are unable to produce the type of hard wheat that Canada exports in large volume to the United Kingdom.

However, the United States produces hard wheat that could cut into Canadian exports and the EC might make adjustments in its CAP, and improve its own strains so that EC wheat could replace some from North America. In addition, North American hard wheats might become so expensive that U.K. millers and bakers would be willing to change their techniques to be able to use more European soft wheat.

Like Canada, South Africa's strength in the U.K. market rests with one commodity category: fruit—in South Africa's case mostly citrus, and particularly oranges—but its position may be slightly more vulnerable. For the moment, South Africa's citrus trade has been relatively strong despite market-share growth by Israel and Cyprus, both of which have access to preferential EC tariff rates. But South Africa may face new competition should Spain become an EC member.

Among the factors that insure the United Kingdom's continuance as a sizable importer of agricultural products are the small size of its farm sector, the further diminution of its already limited farm area, and a population whose needs cannot be fully met by domestic production.

Furthermore, recently released data for 1979 show that inflation has pushed input prices and interest rates upward, while farm product prices are rising more slowly, causing agricultural net income to dip between 1978 and 1979, both in money and real terms.

If the U.K. farm sector is able to enlarge output of certain temperate-zone items it is already producing successfully—meat, dairy products, certain grains, deciduous fruits, and sugar—the United Kingdom will still have to import hard wheat, corn, citrus fruits, oilseeds, cotton, and a number of tropical products. But even minor changes in U.K. production and consumption patterns could lead to significant alterations in its imports of certain products and seriously affect the market share of some of its supplying countries.—*Based on reports from Office of U.S. Agricultural Counselor, London.* □

USDA Sales Teams

continued from page 17

these visits as sales tools.

Participants wrote an estimated $200,000 worth of orders for U.S. processed foods, and future sales as an outgrowth of the project are expected to reach $2.1 million in the 12 months following the trip.

Sales in the Bahamas are estimated at $100,000 and future orders are seen reaching $1.2 million. Immediate sales on Antigua totaled $112,000 and future sales of $950,000 are expected. Participants reported minimal sales in Guadeloupe; however, they said that discussions are continuing with regard to five agency agreements.

Participants in the November team visit marketed portion-controlled beef, processed turkey and other poultry products, canned fruits and vegetables, cheese, wine, pet food, frozen corned beef and brisket, hams and other pork items, and blended soy protein products.

The FAS export promotion schedule for the final months of fiscal 1980 (January-September) and November of 1980/81—in addition to sales team visits—call for participation in two national and international livestock shows and two international food industry events—the 69th National Agricultural and Food Industry Show in Budapest; and Munich's IKOFA show. In addition, FAS will sponsor four solo exhibits.

Firms or individuals interested in participating in any future exhibits—or in any other FAS food promotion activity overseas—should write to the Director of the Export Trade Services Division, FAS, Washington, D.C. 20250. Telephone (202) 447-6343. □

FACT FILE

U.S. Agricultural Trade Offices

In the Agricultural Trade Act of 1978, Congress authorized the establishment of a minimum of 6 and a maximum of 25 agricultural trade offices to be located around the world in major market areas—in established cash markets, evolving cash markets such as the Middle East, the planned economies of the socialist world, and potential markets of developing nations.

Administered by USDA's Foreign Agricultural Service (FAS), the trade offices facilitate the business of selling in foreign countries by establishing the government and business contacts necessary to implement U.S. sales; providing leads on potential buyers; and arranging appointments and setting up product displays for U.S. agricultural exporters, State marketing groups, and others involved in marketing groups.

The agricultural trade officer in charge of each office stays abreast of the prices prevailing in the market, the market situation, and customary methods of doing business as well as the physical facilities that affect the import and marketing of U.S. goods abroad, such as storage and transportation systems. Thus, the U.S. business firms have ready access to background information for the successful selling of their product.

One-Stop Service

An important goal of the trade offices is to provide one-stop service to foreign buyers as well as U.S. exporters. Many of the offices house not only the agricultural trade officer—who represents the U.S. Government—but, also, the overseas representatives of the nonprofit trade associations that cooperate in FAS joint industry/government market development program. The location of cooperators in the trade offices makes it more convenient for trade people to get complete coverage of activities and conditions for all commodities in the marketplace.

A Home Away From Home

The trade office also serves as a home base overseas for traveling U.S. agricultural traders, market development cooperators not having an office at the location, representatives of State departments of agriculture, and State regional export organizations. Desks, telephones, and secretarial support are available to those selling established products in the market, launching new products, or introducing new products to an already established line.

The agricultural trade offices can accommodate small product displays scheduled in advance by visiting exporters. The agricultural trade officer will arrange the product demonstrations to potential customers. State marketing groups are encouraged to maintain rotating product displays.

Trade Leads

One of the agricultural trade officer's most important responsibilities is to provide leads on potential sales opportunities in the market area. Because of day-to-day involvement with government and business officials, the agricultural trade officer is an important contact for foreign firms interested in buying U.S. agricultural products.

Every inquiry to the trade officer is immediately cabled back to FAS in Washington, D.C. The inquiries are disseminated to interested U.S. agricultural exporters through the Trade Opportunity Referral Service (TORS), a computerized direct mail service aimed at specific commodity suppliers interested in the export market. The trade inquiries are in the mail within 48 hours of receipt from the overseas trade office.

A weekly trade bulletin, *Export Briefs*, lists all trade inquiries received each week through TORS plus additioinal inquiries not easily categorized. Also, *Export Briefs* contains other information such as changes in foreign import requirements, quota announcements, and upcoming trade promotions.

Trade leads are also supplied to FAS in Washington by agricultural counselors and attachés from about 60 countries. For additional information on services available from agricultural counselors/attachés, see FAS' Export Directory, 1978-79, FASM-201. Single copies are available from FAS Publications, Room 5555 South Building, USDA, Washington, D.C., 20250.

Services to Foreign Buyers

The agricultural trade officer also sends out a monthly trade letter to potential foreign buyers. This letter, known as *Contacts for U.S. Farm Products*, lists names and addresses of U.S. firms interested in introducing new or new-to-market products abroad, as well as brief descriptions of the items offered. The letter also announces trade shows and other market development activities of interest to foreign buyers.

Each trade office displays buying guides, exhibit solicitation kits, and other information pieces useful to foreign buyers. In addition to servicing U.S. exporters and importers of U.S. products, the agricultural trade officer takes the lead in conceiving and implementing market development activities in the area served by the office.

Market Reporting

Agricultural trade officers keep posted on the market situation for key commodities of interest to U.S. exporters—including the current price levels, sources of imports, competitors' marketing strategies, packaging, types and grades of items on the import list, and so on. New or developing market opportunities are flagged for special attention. This information is an integral part of FAS' planning operation, which provides informational input for designing and implementing new market development plans or for revising existing plans because of changed market conditions.

The trade officer's knowledge of the market is helpful to FAS Washington staff in developing, maintaining, and updating commodity market profiles.

WHERE TO GET HELP

The location of established agricultural trade offices along with names of cooperators sharing office facilities follows:

BAHRAIN (Serving the Arabian Gulf)
Agricultural Trade Officer:
Joseph R. Butler
Cooperators:
None at present
Address:
American Embassy
Shaikh Isa Road
P.O. Box 26431
Manama, Bahrain
Telephone: 714-151 Telex: 9398 USATO BN
Note: U.S. Embassy workweek is Saturday-Wednesday.

FLORIDA (Serving the Northern Caribbean and Central America)
Agricultural Trade Officer:
George R. Delgado
Address:
University Savings and Loan Building, Suite 305
222 Ponce de Leon Boulevard
Coral Gables, Florida 33134
Telephone: (305) 350-5314

GERMANY, WEST
Agricultural Trade Officer:
Homer F. Walters
Cooperators:
Poultry and Egg Institute of America
U.S. Meat Export Federation
Address:
Gr. Theaterstrasse 42
D-2000
Hamburg 36, West Germany
Telephone: 341-207 Telex: 02163970 ATO

KOREA
Agricultural Trade Officer:
Evans Browne
Cooperators:
American Soybean Association
National Renderers Association
U.S. Wheat Associates, Inc.
Address:
63, 1-KA, Eulchi-Ro, Choong-Ku
Seoul, Korea
Telephone: 722-601 Telex: K25823 SOLATO

POLAND
Agricultural Trade Officer:
Charles J. Larson
Cooperators:
None at present
Address:
Ul. Wiejska 19
00-480
Warsaw, Poland
Telephone: 214619 or 298254

SINGAPORE (Serving Southeast Asia)
Agricultural Trade Officer:
James Y. Iso
Cooperators:
American Soybean Association
Poultry and Egg Institute of America
U.S. Feed Grains Council
U.S. Wheat Associates, Inc.
Address:
Llat Towers Bldg., 15th Floor
541 Orchard Road
Singapore 0923
Telephone: 737-1233 or 734-1820
Telex: RS25706 TRIWHT (ATTN: ATO)

UNITED KINGDOM
Agricultural Trade Officer:
Theodore Horoschak
Cooperators:
U.S. Meat Export Federation
Address:
47 Upper Grosvenor Street, W. 1
London, England
Telephone: 499-0024 Telex: 266777 (ATTN: ATO)

Iran

Imports of Grain, Vegetable Oil, And Meat Hold at High Levels

Iran's relatively high food import levels and the continuing reports of food shortages appear to be at odds with Government pronouncements concerning increased food production and self-sufficiency.

The country's imports of wheat, rice, feedgrains, and vegetable oil are reported[1] at relatively high levels, and arrivals of foreign poultry meat and red meat during the Iranian calendar year (Mar. 21, 1980-Mar. 20, 1981) are projected by the Government to rise substantially from the year-earlier total.

Production levels for major crops in Iran this year are likely to be adversely affected by shortages of production inputs such as fertilizer and pesticides and the availability of parts for harvesting equipment. However, favorable weather and expanded area may offset some of the effects of the shortages.

A Government order for 150 harvest combines from Western Europe had not been concluded as of late May, and tractor parts from Romania (most of Iran's tractors are of Romanian manufacture) may arrive too late for the 1980 harvest.

Although Iran recently has bought 30,000 tons of rice from Pakistan, 40,000 tons from Uruguay, and 30,000-40,000 tons from Thailand, another 70,000 tons will be required to meet domestic needs before the domestic crop can be harvested in September.

Wheat sources include Australia and Argentina, and vegetable oil is being imported from Brazil, Spain, and the Netherlands.

Iran's Ministry of Agriculture forecasts imports of red meat in 1980/81 at 250,000 tons, compared with 150,000-160,000 tons—mostly from Australia, New Zealand, Argentina, and Eastern Europe—in 1979/80. Imports of poultry meat this year from East and West European sources could add 50,000-60,000 tons to the total for red meat.

The substantial increase in Iran's projected meat imports relfects a continuing and increasingly serious shortage of meat production in the country. Dependency upon imported meat has expanded markedly, and is likely to continue growing.

Iran's termination of trade with the United States is taking its toll in the livestock sector, particularly in poultry production.

In 1979, U.S. exports of more than 500,000 tons of feedgrains (mostly corn) to Iran constituted all of Iran's corn imports for the whole of that year.

The development of Iran's poultry industry was based on imported feedgrains and oilcake and meal, and when shipments were curtailed in early 1979, poultry production was adversely affected. To meet domestic requirements, Iran has sought substantial imports of poultry meat.

Iran's total meat production in 1979 was an estimated 700,000 tons, 5 percent below the 1978 level. Consumption was estimated at 923,000 tons in 1978/79.

Because of the new, higher meat import projection, it is assumed that production of poultry meat will be down nearly a third from the 1978/79 level to around 130,000 tons and that red meat output will be down 10-15 percent to about 460,000 tons.

Meat Consumption has doubtless dropped in recent months as a result of sharply higher prices for poultry and meat and rationing of red meat.

In 1978/79, poultry meat imports comprised about 26 percent of consumption, compared with 33 percent this year, while red meat imports comprised 27 percent in 1978/79 and 34 percent this year.—*Michael E. Kurtzig, International Economics Division, ESCS.*□

[1]Information included is from various sources, but cannot be confirmed by FAS, which no longer maintains an agricultural attaché in Tehran.

South Africa

Rising Shipping Costs Cloud Export Outlook For Pineapples

South Africa's relatively small but thriving pineapple industry is expected to harvest a record 214,225 tons in the 1979/80 (Nov.-Oct.) crop year, 6 percent more than the year-earlier outturn and a jump of 28 percent over the 1977/78 production level.

Exports of both fresh and canned pineapple have been trending up in recent years, reflecting ready market acceptance of the high-quality products developed by South African growers. However, rising shipping costs are clouding the outlook for future growth in export markets.

Fresh fruit exports have been lucrative, although the switch to containerized shipping in 1978 caused shipping problems and export sales that year totaled only 2,058 tons.

Sales rebounded to 3,358 tons in 1979, mainly because of good prices realized in European markets. Export

sales during 1980 are forecast at or slightly less than the 1979 level.

Exports in 1978 were valued at about $556,500, or about $270 per ton, while 1979 exports were valued at about $1.3 million, or about $384 per ton.

Canned pineapple production in 1978/79 rose only 1.5 percent over year-earlier output, while export sales declined 4 percent to 2.174 million cartons (24x2½) because of severe competition in European markets.

Exports for 1979/80 are expected to recover to 2.325 million cartons, although the increasing cost of cans and shipping is eroding South Africa's competitive position in foreign markets.

Also, the preferential tariffs extended by the European Community to imported pineapple products from Kenya and the Ivory Coast further aggravate the situation for South African exporters.

Pineapples are one of the few products grown in South Africa not subject to marketing board control.

Growers are represented by the Pineapple Growers' association, while canners belong to the South African Fruit and Vegetable Canners' Association. Fresh local and export sales are on a free enterprise basis by farmers and others, while canners compete for the farmer's fruit.—*Based on report from James O. Howard, U.S. Agricultural Attaché, Pretoria.* □

Australia

Deciduous Fruit Exports Face Sharper Competition

Australia's important deciduous industry expects satisfactory levels of production and export this year.

However, intensifying world competition is cutting into export returns—particularly for canned fruit—and the industry may be forced eventually to concentrate on domestic and nearby southeast Asian markets as major outlets for fresh and processed products.

Among the deciduous fruit harvests this year that are projected at lower levels than in 1979 are apples, pears, apricots, cherries, plums, and prunes.

An irrigated citrus grove in South Australia.

World trade in fresh and canned deciduous fruit has tightened significantly in recent years, and many Australian producers have adjusted to periods of slack demand by reducing tree numbers and growing area.

In addition, 1980 is an offyear in the bearing cycle for several Australian deciduous fruits, and dry weather in growing areas has retarded growth and yields. Disease and pests, too, have taken their toll.

On the other hand, outturns of peaches and grapes this year are expected to exceed 1979 levels, although by relatively small margins.

Production of canned deciduous fruits during the 1980 season is expected to be slightly higher than 1979's 7.5 million standard cartons (24x2½). World market conditions are expected to remain relatively buoyant during the 1980 marketing year, and the processing industry is seeking to maximize its output.

Despite this promising short-run outlook for the canned fruit industry, prospects for the longer term are less optimistic. The scheduled loss of the 50-year-old trade preference for some Australian products in Canada will make Australian canned fruits less competitive in that market.

Also, the prospect of subsidies to Italian pear growers and the pending entry of Greece and Spain into the European Community will continue to erode the European market for Australian fruit.

In such markets as the Middle East and Japan, Australia has been able to gain a significant foothold in the past 2 years, but once world production rebounds to normal levels and adequate supplies are available from California and South Africa, the Australian position on these markets may slip.

To assist producers and processors of deciduous fruits, the Australian Goverment offers separate assistance programs.

The Industries Assistance Commission has issued a preliminary report recommending replacement of the apple and pear stabilization program with an underwriting plan that would guarantee an average return from exports equal to 80 percent of average returns in the preceding four seasons.

For canners of deciduous fruits, new marketing arrangements to regulate quantities of canned deciduous fruits sold on the more remunerative markets now have full legislative backing, following a voluntary trial in 1979.

Under the program, the Australian Canned Fruits Corporation will assume ownership of canned apricots, peaches, and pears, and will be responsible for the sale of these products in domestic and export markets. Returns from domestic and certain export markets are to be pooled, and each canner will be allocated a market quota. Canners producing in excess of quota would have to market the excess in non-pool markets to probable lower returns.

The outlook for production and exports of Australia's most important fresh and processed deciduous fruits follows:

Apples. The 1980 apple crop is projected at about 270,000 tons, compared with 315,000 tons last year.

Exports of fresh apples have contracted sharply in recent years, partly because of rising production and shipping costs and partly because of increasing competition from Western Europe's controlled-atmosphere storage fruit. From peak exports of about 150,000 tons in 1971, exports fell steadily to about

37,500 tons in 1978, rebounded somewhat to 60,000 tons in 1979, but are projected to slip this year to about 40,000 tons.

Pears. The 1980 crop is projected at about 130,000 tons, compared with 135,000 tons last year and about 108,000 in 1978. Total pear production declined by about 40 percent during the 1970's.

Exports this year are forecasts at about 35,000 tons, compared with 33,000 tons last year and 48,400 tons in 1978.

The 1980 canned pear pack is forecast at 3.1 million 24x2½ cartons, compared with 2.9 million last year and 2.2 million in 1978.

Exports of canned pears in 1979 were 2.2 million cartons, 425,000 cartons more than in 1978 and double the 1977 volume. The United Kingdom and Western Europe were the major buyers. Exports to Japan jumped to 241,000 cartons.

Peaches. Production of peaches in 1979 was about 68,000 tons, and the outlook for this season is for about 70,000 tons, of which about 56,000 tons will be canning varieties.

The canned cling peach pack this year is forecast to reach about 2.79 million 24x2½ cartons, and another 20,000 cartons of freestones may be canned. The total number of bearing trees in Australia dropped by half during the 1970's.

Exports of canned peaches in 1979 were about 1.6 million standard cartons, about 200,000 more than in 1978. Japan was the major market (594,000 cases), followed by the United Kingdom (335,000 cases).

Cherries. Production of cherries in the 1979/80 season was about 8,000 tons, slightly ower than the 1979/80 crop. Usually, 85-90 percent of the crop is sold fresh, the rest processed.

Several new markets for cherries have been developed during the past 2 years, particularly in Singapore/Malaysia, Hong Kong, France, and the Middle East, and lesser quantities were shipped by air to the United Kingdom, West Germany, Belgium, and Switzerland. Exports in 1978/79 were about 85 tons, compared with 56 tons in the previous season. Returns to producers are attractive, and exports are expected to increase.—*Based on reports from Brice K. Meeker, U.S. Agricultural Attaché, Canberra.* □

Norway

Higher Farm Output, Improved Diet Linked in Government Programs

In Norway, a country that imports about half its total food requirements, the twin Government goals of improved nutrition and expanded food production are inseparably linked.

The first country in Western Europe to formulate a legislative package combining a national food and nutrition policy with programs for increasing food production, Norway plans to achieve the two basic goals through specific efforts to:

- Formulate a food and nutrition policy in accord with recommendations of the 1974 World Food Conference—particularly the view that more rational use of food resources by nations will deflate pressure on global food resources and thus benefit poorer nations.
- Encourage improved personal diet.
- Increase production and consumption of homegrown food, with a resulting higher level of national food self-sufficiency.
- Utilize food production resources fully, especially in economically weak areas.

Small farms on and near Norway's west coast.

The attainment of these goals could affect U.S. exports of some agricultural commodities to Norway, particularly if Norway succeeds in boosting its self-sufficiency in grains by substituting domestic grain crops and roughages for imported concentrates, and holding per capita meat consumption stable.

The United States supplies virtually all of Norway's soybean requirements of 200,000-300,000 tons annually, and 250,000-350,000 tons of the 600,000 tons of grain imported annually. However, Norway's import demand for these commodities probably will be sustained by such factors as adverse weather, increased use of soybean oil in foods, or shifts in the use of feed ingredients.

If the production goals are met, a combination of increased cultivated area and higher yields will push Norway's self-sufficiency in food output from 51 percent (calorie basis) in 1974 to 56 percent by 1990.

According to the Government's food and nutrition policy report, most of the projected increase will be in foodgrain production, which by 1990 could expand 7 to 28 percent.

The plan to boost grain output links production with nutritional objectives. It calls for an increase in grain and potato consumption, while projecting red meat consumption constant at base-period levels.

Production increases are also likely to result in some import savings, to the extent that domestic grain and roughages may be substituted for imported feed concentrates. Higher levels of grass and roughage production—particularly in the disadvantaged regions—thus assume a degree of economic importance in attaining the production targets.

The dietary trends that Norway seeks to modify are similar to those in the

United States and some other countries. In the past decade, Norway's per capita consumption of sugar and saturated fats has risen sharply—along with correspondingly higher incidence of cardiopulmonary disorders, tooth decay, obesity, iron-deficiency anemia, and digestive disorders.

A major thrust of the projected nutritional objectives is to reduce the total share of energy from fat in personal diet to 35 percent by 1990—a share that expanded from 37.7 percent to 42.5 percent between 1953-55 and 1974.

Implementation of Norway's food and nutrition policy requires a high degree of cooperation between the Ministry of Agriculture and other Government agencies concerned with food, trade organizations, and food manufacturers.

Consumer education also is an important tool in the implementation process. The National Nutrition Council has been charged with supplying information and advice to the Parliament and the public.

The dissemination of nutrition information has already had some impact on the use of saturated fat—particularly marine fat—in margarine production. The margarine industry has agreed to reduce the ratio of saturated to unsaturated fat in margarine from the current level of 1:3 to 1:4 by 1990.

The shift in the composition of margarine away from hardened fats—which represent a high percentage of the total raw materials in margarine—coupled with the trend toward lower per capita consumption of margarine will contribute significantly to a reduction in the overall intake of saturated fat in Norway.

The Government also has another implementation tool at its disposal—a complex price policy that potentially could regulate the direction of food production and consumption.

For example, farm prices for economically disadvantaged regions are set at higher levels than for other areas, thus encouraging farmers in the disadvantaged regions to remain in agriculture.

Also, the Government is planning a wide range of regional programs to expand total agricultural area, including reclaiming of marginal forestland and possibly transferring some arable land in the sub-Arctic regions from coniferous forests to grass crops.

Total cultivated area is expected to increase from 790,000 hectares in 1974 to 900,000 by 1990, with about 75 percent of the expansion tagged for the country's disadvantaged areas.

Other implementation tools in the Government's coordinated food and nutrition policy include price support programs and greater use of consumer subsidies. The latter have been used extensively in Norway—largely in conjunction with retail price freezes—to dampen the inflationary impact of higher farm prices. They have also been used to stimulate the consumption of specific foods, such as skim milk, beef, and mutton.

Among non-EC countries, Sweden has indicated the possibility of starting an improvement program, and some U.S. interest in the subject has been expressed in the public hearings before the Senate Committee on Nutrition and Human Needs, and by U.S. participation in the 1974 World Food Conference—*By Marshall H. Cohen, ESCS.* □

West Germany

Poultry Expansion Enters 6th Year as Imports Fall For First Time Since 1976

Expansion in West Germany's poultry production is expected to continue in 1980 for the sixth straight year while exports are forecast to remain near the record level of last year. For the first time since 1976, Germany's poultry meat imports declined last year. Purchases this year should again drop slightly, although imports of processed turkey meat from the United States should show a small gain following a downturn last year.

The expected gain in West Germany's broiler production is placed at around 3 percent, a slower growth rate than achieved in 1979. The actual increase, however, will depend largely on exports to third countries by Germany and other EC members. The strengthening of the dollar versus the West German mark this past spring coupled with EC export subsidiaries for poultry provide a good basis for German—and European Community—exports of poultry meat.

Germany's rapidly expanding turkey production is expected to keep growing in 1980, but the growth rate is not expected to exceed 10 percent—well below gains of recent years.

The forecasted increase in U.S. exports of processed turkey meat to the German market is based largely on the expected rise in U.S. production and the larger availability of product for export by West Germany.

Outturn of fresh eggs in 1980 should equal last year's level, halting the downtrend of the recent past.

For the first time in 3 years, West Germany's imports of poultry meat declined, dropping almost 4 percent from the 1978 level to 270,100 tons. The downturn primarily reflects a 5-percent drop in broiler imports and a nearly 3-percent slippage in turkey meat. West Germany is the world's largest poultry meat importer.

In the case of whole broilers, shipments to Germany from other EC countries fell 12 percent in 1979 and was only partially offset by larger EC shipments of poultry parts to this market. Reduced German imports of whole broilers largely resulted from increased EC exports to third countries.

The decline in turkey meat imports to 43,900 tons stems from increased domestic production and a slower growth in demand, coupled with reduced imports of live turkeys for slaughtering in German plants, and lower imports of turkey parts.

West German imports of U.S. poultry meat (including offal) in 1979 continued their downward trend, falling 7 percent to 10,958 tons. Increased shipments of seasoned turkey parts from the United States, however, did not fully compensate for the loss in fresh and frozen parts.

Nor did the U.S. market

share for this product enlarge significantly, mainly because of the expanded production and acceptance of domestically produced fresh turkey parts and the limited availability of U.S. seasoned parts in large consumer markets.

West Germany's total exports of poultry meat (mainly whole broilers) rose 42 percent from the previous year to a record 35,200 tons, including 16,992 tons to Saudi Arabia.

Last year, Germany's poultry meat production continued to expand as output reached 364,000 tons, up 4 percent from that of 1978—but well below 1978's growth rate of 8.4 percent.

Slaughtered turkey output in 1979 rose to 39,000 tons, an increase of almost 15 percent—but still noticeably below the 21-percent expansion in 1978.

West Germany's turkey production is fully geared to the output of heavy birds for cutting and further processing. The turkey industry has successfully developed the domestic market for fresh turkey parts, which now accounts for about 70 percent of the total turkey marketings.

Fresh turkey parts are normally marketed at a considerable price premium over frozen parts. The industry only freezes about 10 to 15 percent of its turkey parts that could not be marketed as fresh product. The remaining turkey meat output is further processed.

On the policy side, the Federal Ministry of Health's (FMH) amendment to the poultry meat hygiene law—legislatively approved in May 1980—provides that poultry meat processing, of both domestic and imported product, must be in accordance with "approved" processing methods. The FMH is now starting to prepare a draft implementing ordinance which, when approved, will specify all allowable processing methods.

In developing its list of "approved" processing methods, the Ministry of Health also will establish mandatory definitions for seasoned poultry, which in all probability is expected to include minimum salt content for treated (seasoned) poultry meat.

These requirements for treatment of processed meat, including seasoned poultry meat as well as the minimum salt content, will be directly applicable to the production and marketing of U.S. processed and seasoned poultry meat.

The FMH's implementing ordinance is expected to be approved and take effect by the end of this year.

FAS is currently working with the FMH in an attempt to ensure that U.S. exports of poultry meat to West Germany are not threatened by this new amendment to the poultry meat hygiene laws.—*Based on a report from the U.S. Agricultural Counselor, Bonn.* □

Spain

5-Year Cotton Expansion Plan Gets Off to Fast Start

Spain's 5-year cotton expansion program (1979-83) got off to a fast start as area expanded 21 percent above the planned level to 50,000 hectares while production climbed to about 146,000 bales (480 lb net), about a 20 percent gain from the previous year's. Goal of the 5-year plan is to raise cotton area to 90,000 hectares in order to make Spain 50 percent self-sufficient in cotton.

Still, Spain remains an important cotton importer, taking an estimated 328,000 bales in 1978/79, including 63,000 bales from the United States, and 56,000 bales from Turkey—the two leading suppliers. Spain alternates with Italy as the major West European importer of U.S. cotton.

As a result of the satisfactory yields obtained in 1979/80 and the success of the initial year of the cotton expansion program, area in 1980/81 is expected to increase to 60,000 hectares, capable of bearing about 175,000 bales.

The Government's decision to initiate the 5-year plan is based on several factors. Foremost among these is high rural unemployment in Andalucia and Extremadura—Spain's traditional cotton-producing regions—where cotton area declined from 100,700 hectares in 1974/75 to just 45,000 in 1978/79.

The plan also recognizes the seriousness of the labor/political situation and takes into account the economic imperatives for the production and marketing of cotton. This is expressed in the following goals:

- Increase the number of farm laborers over the 1978 level.
- Reduce production costs so that domestic cotton may compete in terms of price and quality with that of other countries.
- Begin employment compensation toward a larger permanent workforce.

Bags of cotton seed (top photo) being stacked in Spanish warehouse. At left, a harvester works a field. Mechanization is one of the keys to Spain's 5-year plan to boost cotton production.

• Facilitate small farmers' and cooperatives' access to credit, subsidies, and mechanization.
• Restructure the ginning sector to reduce processing costs, and
• Negotiate the conditions of work and salaries before planting time so farmers will be able to figure costs.

The plan also calls for increased mechanization. During the 5-year period, land cultivated by mechanization is expected to shift from the current 12,000 hectares, or 25 percent of total cotton area, to some 78,000 hectares, or 87 percent in 1984. To help accomplish this, the plan had envisioned having 1,500 harvesters on hand by the 1983/84 season. However, harvesters in use during the opening season were below the planned target.

To achieve its cotton goals, the Government is offering these incentives:
• Establishment of minimum prices for growers.
• Premium payments of 12 pesetas per kilogram on manually picked cotton and 7 pesetas per kilogram on mechanically harvested cotton.
• Payment of crop cultivation advances in the amount of 30,000 pesetas per cultivated hectare.
• Line of credit for financing the purchase of machinery and equipment, and
• Subsidies for procurement of machinery and equipment up to 40 percent of the retail value or the landed price of a unit imported directly by the end user.

Despite its good intentions, the cotton program did not win immediate acceptance among growers and the industry. Over the years, the Spanish cotton industry has developed considerable skepticism about official interest in the crop because of the Government's traditional tardiness in publishing the marketing-year regulations and in disbursing premiums.

As a result, alternative irrigated crops—such as wheat, sunflower, corn, and sorghum requiring much less labor—are more attractive. The share of labor measured in production costs for some of these crops is only 4-5 percent, against 60-70 percent for cotton.

Increasing cotton area in the current major producing regions is going to be difficult. Medium-sized farms (10-15 hectares) that can better afford and use mechanization may switch to other crops to eliminate labor-associated risks.

Small-sized farms (10 hectares or less) will have to consolidate into cooperatives in order to take advantage of mechanization. These farms represent about 40 percent of Spain's cotton-producing enterprises. Obviously, organization of these farms into viable units will take more than 5 years; consequently, production costs associated with small farms will be high. Newly irrigated land could become viable cotton areas.

The greatest unknown and perhaps the key to the success of Spain's 5-year cotton plan lies with labor unions. The agreement of the three major unions to accept mechanization for all additional cotton area beyond the 1978/79 level is an important step forward. —*Based on a report from Robert D. Knapp, Assistant U.S. Agricultural Attaché, Madrid.* □

India

High Rice Yields Generate Export Availabilities

India's exports of rice—minimal before the introduction of high-yield varieties and improved farming methods—have soared in recent years and could reach a record 1 million tons during 1980.

Rice exports as late as 1977 totaled only 18,810 tons, but jumped to 143,410 tons in 1978, including 53,500 tons to Indonesia and about 50,000 tons of basmati rice to Middle East markets. Last year's rice exports included 150,000 tons for Bangladesh, 30,000 tons to Mauritius, and 10,000 tons each to Ghana and Tanzania.

About half of this year's projected rice export volume is for the Soviet Union, with a large part of the shipments to be delivered to Vietnam. And Bangladesh is expected to rival Vietnam as a major destination for Indian rice.

The new Government policy permitting export of a large volume of rice has resulted from several factors, including:
• Government losses from grain distribution are expected to exceed more than $1 billion in 1980—double the 1979 level. Larger exports of rice at relatively high prices will generate returns that will help offset financial losses from expanded wheat distribution.
• Rice stocks are large (about 8.7 million tons in April 1980), and a rotation system to move older stocks is desirable.
• Petroleum import costs have skyrocketed, and arrangements to obtain Soviet petroleum for rice are appealing to the Indian Government.
• Rice export availabilities in Thailand and Pakistan have dwindled.

India's Ministry of Food and Agriculture has indicated an average price for rice sold to the Soviet Union this year of about $350 per ton. The average price for basmati rice exports—mostly to Middle East countries—has at times exceeded $700 per ton.

Large shipments of basmati rice directly to the Soviet Union are scheduled for late 1980.

The United Arab Emirates last year imported more than 20,000 tons of basmati rice from India, up from 16,721 tons in 1978. shipments of Indian rice to this market could quadruple in 1980 because of larger transshipments to Iran. Direct sales of Indian rice to Iran also have been indicated. A team from Iran recently visited India and discussed possible imports of rice, barley, onions, and poultry products.

Large exports of Indian rice to Saudi Arabia, Kuwait, Iraq, Qatar, Oman, the Yemen Arab Republic, and Western Africa also may occur this year. In addition, India may export a considerable volume of rice to Indonesia, Bangladesh, and Sri Lanka. Cuba may also be a market for India's rice this year through arrangements involving Soviet financing.

Although India's output of milled rice fell from a record 53.8 million tons in 1978 to 43.5 million tons in 1979, procurement prices of more than $200 per ton were higher than farmers had previously received. As a result, deliveries of rice to Government agencies remained strong in the recent season.

Government rice stocks may fall sharply later this year if open-market prices move well above the fixed prices in Government-controlled retail shops. In this event, the recent policy of encouraging rice exports could change quickly.—*John B. Parker, International Economics Division; ESCS.*□

TRADE BRIEFS

U.S. Farm Exports To Mexico Rising Sharply in 1979/80

U.S. agricultural exports to Mexico are growing sharply in 1979/80, with sales for the complete fiscal year expected to reach $1.6 billion versus $972 million during fiscal 1979. This large advance is mainly attributed to last year's severe drought in Mexico that seriously reduced the country's farm production. Domestic demand also is increasing rapidly as rising petroleum production and exports push up Mexican incomes.

Venezuela Joins Coffee Producers' Effort To Form Trade Company

Venezuela has become the eighth nation to join "Bogota Group" of coffee-producing countries in forming a new marketing company, whose objective will be to stabilize the coffee market and prevent artificial speculation. Members of the group account for nearly 60 percent of the world coffee production. Besides Venezuela, these include Brazil, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, and Mexico. Headquarters of the company will be in Panama, with branches in London and New York.

U.S. Grain Shipments To GDR Up Sharply Over Year-Earlier Level

U.S. grain exports to the German Democratic Republic (GDR) exceeded 2.3 million tons through mid-March of the current marketing year, compared with 695,000 tons at the same time a year earlier. The substantial gain in U.S. sales is attributed to the poor GDR grain harvest in 1979, reduced availability of competing feedgrains elsewhere, and possibly early buying. Over the past few years, the GDR's imports at its new port facilities in Rostock have steadily increased. Still, much of the country's imported grains and most of its protein meal needs are transshipped via Hamburg in West Germany.

Australia's Wheat Exports Registering Sharp Increase

Australia's wheat exports during the first 5 months of the 1979/80 Australian marketing year (December-November) are reported at 6.4 million tons, almost twice the amount shipped during the comparable 1978/79 months. Total Australian wheat exports are projected at 14 million tons for 1979/80, compared with the record 11.7 million in 1978/79 and 8.4 million in 1977/78. The export surge this year stems from two straight bumper harvests in conjunction with buoyant world demand and minimal industrial problems at the ports. From December through May 3, Australia's wheat exports were above the year-earlier levels to these markets: the USSR, China, Egypt, Iran, and Iraq. According to the Australian Wheat Board (AWB), Australia (against a contract signed in July 1979) shipped 1,251,000 tons of wheat to the USSR during this period versus virtually none in the corresponding 1978/79 period. Shipments to China were also up sharply—reaching about 1.5 million tons, compared with 489,000 tons in the 1978/79 period.

Sugarcane Smut And Rust Present In Continental U.S.

The sugarcane smut and rust diseases that plague much of the Caribbean area, reducing sugar supplies for export in several countries, are also present in the growing areas of the continental United States. It is uncertain how the two diseases arrived here, but both can be transmitted by windblown spores. Smut is presently found in Florida while rust has appeared in Florida, Louisiana, and Texas. It is hoped that better management techniques and planting less susceptible varieties will mitigate the effect of these diseases in the United States. (Note: The May 1980 issue of *Foreign Agriculture* incorrectly indicated, on page 30, that sugarcane smut was eradicated in Florida.)

India Turns to Sugar Imports To Meet Demand

Although India has not imported significant amounts of sugar for at least the past 25 years, the country recently had to purchase 200,000 tons of sugar on the world market. The action was necessary in order to augment supplies during the current season as a result of reduced production. India's raw sugar output for 1979/80 is estimated at 5.6 million tons, compared with 7.1 million tons a year earlier.

Thailand Imposes Limit on Rice Exports During June-August

Thailand has imposed limitations on rice exports during the June-August period because of the expected production shortfall in the country's second crop and sharp export increases earlier in the year. Rice exports by the private trade during June-August will be limited to 300,000 tons. Although this does not affect the Thai Government's ability to conduct government-to-government sales, the action nonetheless indicates reduced supplies. The harvest from the country's second rice crop is estimated at about 1 million tons, compared with 2.3 million tons a year earlier. Total exports for the current marketing year (January-December) are expected to be significantly below the 2.7 million tons exported during the previous season.

Argentina's Shipments Of Fresh Lemons Continue To Climb

As a result of increased production, Argentina's exports of fresh lemons have expanded rapidly over the past 5 years. Shipments this year are projected at 50,000 tons, compared with just 11,000 tons in 1976. Meanwhile, production has risen from 247,000 tons in 1976 to an estimated 355,000 this year. Eastern Europe remains the principal market, accounting for 94 percent of the 24,535 tons exported in 1978 and about 81 percent of the 43,318 tons shipped in 1979.

U.S. White Corn Exports Soaring In 1979/80

Exports of U.S. corn for the first 7 months of opening 1979/80 were more than 40 percent above the amount shipped during the entire 1978/79 season. Exports during the October 1979-April 1980 period totaled slightly above 195,600 tons, compared with 138,200 tons during all of 1978/79 and a little more than 58,000 tons in 1977/78. During the October-April period of the current season, about 85 percent of U.S. white corn exports went to Venezuela, traditionally a large purchaser of South African white corn. Kenya and Japan were the next largest markets. White corn is predominantly used for human consumption. A principal factor in the accelerated pace of U.S. exports has been the small export availabilities of white corn from South Africa, normally the world's largest supplier.

USDA Proposes New Export Credit Guarantee Program

USDA on June 5 published in the Federal Register a proposal for a new Commodity Credit Corporation (CCC) program that would offer comprehensive risk guarantees against defaults on payments due from foreign banks for privately financed export credit sales of 3 years or less.

Kelly M. Harrison, General Sales Manager for USDA's Foreign Agricultural Service, said the proposed regulations for the Export Credit Guarantee Program (GSM-102) will be administered by CCC.

Harrison said the planned program is geared to maintain and increase agricultural export markets abroad and create a more favorable balance of trade for the United States.

The new program protects exporters, or the U.S. lending institutions that finance their sales, from defaults in payments for commercial and noncommercial reasons. The program requires foreign buyers to have a CCC-approved bank in their country issue a letter of credit to the exporter. Exporters can assign their rights under a payment guarantee to any U.S. bank or other lending institution financing the sale. If the buyer's bank defaults on any payments, CCC will pay the exporter (or U.S. lending institution) the amount covered by the payment guarantee. This commitment by CCC to protect the exporter or the U.S. bank against the risk of default will help exporters obtain private financing not otherwise available to them.

The new program is an expansion of the CCC Non-Commercial Risk Assurance Program (GSM-101). The principal change from the existing GSM-101 program is that the new program covers any defaults for commercial reasons, such as bankruptcy of a private foreign bank, in addition to defaults for noncommercial reasons, such as exchange controls, government orders, etc.

Prior to issuing a final rule, CCC will consider written comments on the proposed program. Comments must be received no later than July 21 by the Assistant General Sales Manager, Export Credits, Foreign Agricultural Service, USDA, Washington, D.C. 20250.

Some Recent USDA/Credit Actions

Recent USDA export credit guarantees under the GSM-101 program include $40 million for exporters who sell U.S. wheat and rice to Peru and $20 million for exporters selling U.S. wheat and/or wheat flour to Sudan.

U.S. agricultural commodities eligible for financing under the CCC export credit sales program and noncommercial risk assurance program include beans (dry, edible), breeding stock (cattle and swine), concentrated protein feed mix (including at least 75 percent eligible commodities), cotton, feedgrains (barley, yellow corn, sorghum, and oats), fresh lemons, protein meals (cottonseed, linseed, soybean, and sunflowerseed), potatoes (including seed and dehydrated), rice, soybeans, edible soy protein, sunflowerseed, tallow, tobacco, vegetable oils (cottonseed, linseed, peanut, soybean, and sunflowerseed), wheat, and wheat flour. □

WORLD AGRICULTURAL DAYBOOK

JULY

Trade/Technical Team Trips

U.S. Teams Overseas

Date	*Team*	*To*
July 4/5	MIATCO breeding swine survey	Singapore
July 7-27	U.S. Cotton	Japan, China
July 9-29	U.S. agricultural education	China

Foreign Teams in the U.S.

Date	*Team*	*To*
June 18-July 3	Romanian livestock	New York, North Carolina, Georgia, Illinois, Nebraska, Missouri, Washington, D.C.
July 5-19	Philippine soybean storage and handling	Louisiana, Missouri, Ohio, Illinois.
July 5-22	Chinese Minister of Agriculture Huo Shilian	Georgia, Illinois, Missouri, Colorado, California, Hawaii, Washington, D.C.
July 16-August. 6	Chinese seed	Texas, Tennessee, Mississippi, Georgia, Alabama, California.
July 19-29	Latin American dairy	Minnesota, Wisconsin, Florida

Trade Fair/Exhibit

Date	*Event and location*
July 16-26	World Wine Fair; Bristol, England.

Meetings

Date	*Organization and location*
July 1/2	Sri Lanka Consortium (food aid), Paris.
Mid-July	Western U.S. Outlook Conference, Denver.

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Warsaw Office To Service U.S.-East European Traders

In late May, the sixth USDA Agricultural Trade Office was opened in Warsaw, joining the other five inaugurated under authority of the Agricultural Trade Act of 1978. Another office is located in London, opened in 1978 under other legislation.

The Warsaw office will serve as a focal point for U.S. exporters selling farm products to Poland, Czechoslovakia, Hungary, and Romania. These countries were a market for almost $1 billion in U.S. agricultural products in 1978/79.

Charles J. Larson, director of the trade office, noted at the opening ceremonies that although the quality of farm products intended for export and the reliability of suppliers are critical to the success of such trade, the strength of the relationship between partners—individuals and the U.S. Government—is even more important. The Warsaw trade office, he said, is dedicated to making the interaction between the trade office and importer and exporter easier.

The office was opened by USDA's Deputy Under Secretary for International Affairs James H. Starkey, and was attended by top Polish and other East European officials.

The Warsaw trade office, like those located in Miami, Bahrain, Hamburg, Singapore, and Seoul, is especially geared to work with nonprofit U.S. trade associations currently operating in Eastern Europe under continuing agreements with USDA's Foreign Agricultural Service as market development cooperators. It also will serve marketing groups of American States, individual U.S. exporters, as well as East European importers looking for suppliers.

Under the Agricultural Trade Act of 1978, Congress authorized the creation of between six and 25 agricultural trade offices in key trade areas of the world. The offices now open serve the northern Caribbean and Central America, the Arabian Gulf area, West Germany, Southeast Asia, and Korea. The United Kingdom is served by the London office.

Larson, who joined USDA last year to head the Warsaw office, worked in the private livestock sector for about 23 years, serving with the Holstein-Friesian Association of America or its subsidiaries.

The Warsaw Trade Office is located at 19 Wiejska Street, telephone 214619 or 298254. □

Participating in ribbon-cutting ceremony at opening of Warsaw Agricultural Trade Office (left to right): Stefan Zawodzhinski, Polish First Deputy Minister of Agriculture; Jerome Kuhl, U.S. Agricultural Attache, Warsaw; James Starkey, USDA Deputy Under Secretary of Agriculture for International Affairs; and Ryszard Karski, Polish Minister of Foreign Trade.

FOREIGN AGRICULTURE

United States Department of Agriculture Foreign Agricultural Service

Supplement—July 1980

Changes In U.S. Meat Import Law

By Daniel B. Conable

Dairy, Livestock, and Poultry Division
Foreign Agricultural Service

On December 31, 1979, the President signed into law Public Law 96-177, the Meat Import Act of 1979. This law replaces all provisions of Section 2 of the Act of August 22, 1964 (P.L. 88-482) that provide for the imposition of import controls on certain fresh, chilled, and frozen beef, veal, mutton, and goat meat products. Like its predecessor, the new law mandates quantitative import controls if imports are expected to exceed 110 percent of formula quantity. The most widely publicized feature of the 1979 Act is its "countercyclical" approach to computing the allowable import level, but other aspects of the 1964 Act have been changed as well.

Tariff Coverage

In addition to fresh, chilled, and frozen meat of cattle, sheep (except lambs) and goats (TSUS 106.10, 106.22, and 106.25), certain other prepared and preserved beef and veal products (TSUS 107.55, 107.61, and 107.62) have also come under the law.[1] TSUS 107.55 covers prepared and preserved beef and veal that has not been cured, pickled, or canned, and is valued at not over 30¢ per pound. Due to inflation, imports under this category have been negligible for several years, and are expected to remain so.

TSUS 107.62 is one of two new tariff categories created by subdividing the former tariff line 107.60 ("Beef and veal, prepared, but not otherwise preserved, valued over 30¢ per pound"). The purpose of the subdivision was the creation of a new category for fancy beef cuts, on which the United States made a tariff concession in the Tokyo Round of Multilateral Trade Negotiations. Fancy cuts entering under this tariff line (107.61) are not included in required estimates of calendar year imports, but are subject to controls if limitations are imposed under the law.

Import Estimates and Controls

The Secretary of Agriculture must publish an adjusted base quantity for the coming year's imports before January 1 of each year. This quantity is computed on the basis of past U.S. production levels and projections for the coming year, and is not revised as the year advances.

The Secretary of Agriculture also publishes quarterly estimates of the quantity of meat products covered by the Meat Import Act (except those in TSUS 107.61) that would enter the United States during the year without the imposition of limitations under the law.[2] The first quarterly import estimate is published along with the year's adjusted base-quantity level before January, with subsequent estimates appearing before April 1, July 1, and October 1. These quarterly estimates are published in a USDA press release before the beginning of the quarter, and they appear in the Federal Register on or about those dates as well.

If the Department's estimate of imports in the absence of quotas equals or exceeds 110 percent of the adjusted base quantity level determined at the beginning of the year, the President must proclaim that total imports for the calendar year will be limited to the adjusted base-quantity level (but not less than 1,250 million pounds). It is up to the Secretary of Agriculture to allocate country shares within this global total, on the basis of the shares of the U.S. market that supplying countries had during a previous representative period, with due account given to special factors affecting meat and cattle trade. These allocations are then certified to the Secretary of the Treasury, who has responsibility for their implementation.

Import limitations may be proclaimed at the beginning of any calendar quarter. They may also be removed at the beginning of a quarter on the basis of a change in the estimate for total calendar year imports, except that if limitations have been imposed for the third quarter, they may not be removed on the basis of the fourth

[1] *For a detailed description of these tariff items, see Appendix.*

[2] *All factors likely to affect the level of imports are considered in arriving at this import estimate, including supplies in exporting countries; demand in the United States and other import markets; the existence of voluntary restraint agreement (VRA's) between the United States and supplying countries; and, once the year is under way, actual U.S. Customs entries.*

quarterly estimate, but must be maintained at least until the beginning of the first quarter of the following year.

Formula for the Adjusted Base Quantity

The Meat Import Act of 1979 provides for a basic import level of 1,204.6 million pounds (product weight) of meat products covered in the law. This base quantity—the average import level for the years 1968-1977—is modified annually by two factors: A production adjustment factor and a countercyclical factor.

The production adjustment factor is a 3-year moving average of the domestic production of meats covered in the present law, divided by average U.S. production of those meats in the years 1968-77. Estimated production for the coming year is used for the third year of the three-year moving average, which is the numerator of this factor. The law states that the carcass weight equivalent for all imported cattle other than dairy and breeding cattle must be deducted from the U.S. production total for each year involved in the computations.

In the long run, the production adjustment factor will tend to increase the allowable import level in line with the long-run trend in U.S. beef production. However, in the shorter term, the production adjustment factor in the 1979 law (like that in the 1964 law) would, according to some analysts, tend to allow imports to exacerbate the price effects of the domestic cattle cycle by increasing imports during the liquidation phase of the cycle, when beef supplies are already plentiful.

To correct this perceived flaw in the formula, a countercyclical factor is also used to modify the base quantity level. The countercyclical factor is a 5-year moving average of the U.S. per-capita supply of cow beef, divided by a 2-year moving average of the per capita cow-beef supply.[3] A current forecast of the coming year's per-capita cow beef supply is used in computing both the numerator and the denominator of this factor.

When the U.S. cattle industry is in the liquidation phase of the cattle cycle and beef production is relatively high, the denominator of the countercyclical factor (2-year average) will be larger than the numerator of the factor (5-year average). Therefore the factor will tend to reduce the allowable level of imports. When the cattle cycle turns to the rebuilding phase and production is low, the numerator will be larger than the denominator, and the import level will be increased. In 1980, a year of reduced domestic beef production, the countercyclical factor increased the allowable import level by about 30 percent.

The use of the cow-beef fraction of U.S. beef supplies in the countercyclical factor serves two purposes. In the first place, imported beef tends to be of a manufacturing quality most directly competitive with cow beef. Further, the level of cow slaughter is a fairly sensitive indicator of developments in the U.S. cattle production/inventory cycle, since cow slaughter directly reflects producer decisions on breeding herd expansion or reduction.

Once the adjusted base quantity level for a particular year has been calculated, the key point of reference for import estimates is not the adjusted base quantity, but rather the "trigger point" or "trigger level," which is 110 percent of the adjusted base quantity. It is only when imports are expected to exceed the 110 percent figure that controls must be imposed.

[3] *In practice, U.S. federally inspected cow slaughter is used as a proxy for the total cow-beef supply, since data on nonfederally inspected cow slaughter are not available. If figures for federally inspected slaughter were expanded by some percentage to estimate a total cow slaughter figure, the computed countercyclical factor would be unchanged.*

Presidential Authority

The President has limited authority to suspend quantitative limitations proclaimed under the Meat Import Act. When the countercyclical factor is 1.0 or greater (limited domestic cow beef supplies), the President may suspend limitations on meat imports or increase the import level by proclaiming that the action is required by overriding economic or national security interests of the United States—giving special weight to the importance to the Nation of the economic well-being of the U.S. cattle industry—or by declaring that the supply of meats covered by the law will be insufficient to meet U.S. demand at reasonable prices if limits are in effect. He may also suspend the limitations if trade agreements entered into after December 31, 1979 will ensure that the imports will not exceed the adjusted base quantity level for the year.

These conditions are identical to those required for a suspension of import limitations under the 1964 law. However, the 1979 law adds the requirement that the President must publish a statement of intent to lift the import limitations in the Federal Register, and allow a 30-day comment period before the action.

When the countercyclical factor is below 1 (ample domestic cow beef supplies), the President's authority to suspend limitations is further restricted. Limitations must remain in place unless—during a declared national emergency—the President proclaims that the suspension is in the national security interests of the United States, or unless there is a shortage resulting from a national disaster, disease, or major market disruption. However, the law states that if actual data for the first two quarters indicate that the countercyclical factor for the year should be 1.0 or more, then these severe restrictions no longer apply.

Import Floor

Regardless of formula calculations, the President may not restrict imports under the Meat Import Act to less than 1,250 million pounds.

Voluntary Restraint Agreements

In some past years in which it appeared likely that imports would exceed 110 percent of the adjusted base quantity under the 1964 Act, the U.S. Government has negotiated a program of voluntary restraint agreements (VRA's) and exchanged letters with supplying countries to ensure that total imports of meats covered by the law would not exceed the trigger level. By this device, the U.S. Government has, for the most part, avoided having to impose and administer formal import quotas, while supplying countries have been guaranteed equitable shares of the largest, practical total volume of imports under the law.

Authority for the negotiation of VRA's is found not in the Meat Import Act itself, but in Section 204 of the Agricultural Act of 1956. VRA's have served as a useful adjunct to the Meat Import Act because, when VRA's are in effect, the Secretary of Agriculture has the delegated authority to issue regulations (with concurrence of the Secretary of State and the U.S. Trade Representative) to ensure compliance with the import levels agreed upon in the VRA's.

The Secretary may also require through bills of lading to control transshipments, and take other measures to ensure a smoothly operating program.

Relative country shares within VRA programs from 1975 through 1979 were based in general on import volumes during 1973 and 1974, when no import limitations were in place. Future country shares, either within VRA programs, or within formal limitations under the Meat Import Act itself, will probably be influenced to some extent by import shares in 1980 and any subsequent "open" import years.

Import Monitoring and Control

The U.S. Customs Service monitors all meat imports subject to the Meat Import Act. When a VRA program is in effect, the Customs Service, on direction from the Department of Agriculture, institutes special procedures to monitor imports from any country approaching its limit to help ensure that imports from that country do not exceed the negotiated level.

The Customs Service is responsible for assuring that USDA regulations implemented to carry out the VRA's are enforced, and, if formal quotas are in place under the Import Act, that imports for each country are held to levels the Secretary of Agriculture has determined. Countries not on the allocation list established by the Secretary of Agriculture may not export meats covered under the law to the United States, as long as the import restrictions remain in effect.

The Foreign Agriculture Service, USDA, publishes tables of cumulative imports under the Meat Import Law and a summary of the world supply situation on a quarterly schedule. A 1-page weekly summary of cumulative imports under the law by country is also available from FAS upon request. (Dairy, Livestock, and Poultry Division, Foreign Agricultural Service, USDA, 14th and Independence Ave., S.W., Washington, D.C. 20250).

For further information contact the Division, (202) 447-9129 or 447-7198.

APPENDIX A: Tariff Headings for Meats Subject to Import Controls Under U.S. Meat Import Law (P.L. 96-177)

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS
Part 2. - Meats

TSUSA #		MFN Duty
	Subpart B. - Meats Other Than Bird Meat	
	Subpart B headnote:	
	1. For the purposes of this subpart —	
	(a) The term *"fresh, chilled, or frozen"* covers meats even though completely detendonized and deboned, but does not cover meats which have been prepared or preserved; and	
	(b) the term *"prepared or preserved"* covers meats even if in a fresh, chilled, or frozen state if such meats have been ground or comminuted, diced or cut into sizes for stew meat or similar uses, rolled and skewered, or specially processed into fancy cuts, special shapes, or otherwise made ready for particular uses by the retail consumer; and also covers meats which have been subjected to processes such as drying, curing, smoking, cooking, seasoning, flavoring, or to any combination of such processes.	
	Meats (except meat offal), fresh, chilled, or frozen, of all animals (except birds):	
106.10	Cattle	2.5¢ per lb.
	Beef, with bone:	
	Fresh or chilled	
	Frozen	
	Beef, without bone	
	Other (veal)	
106.22	Sheep (except lambs)	2.3¢ per lb.
106.25	Goats	2.2¢ per lb.
	Beef and veal, prepared or preserved (except sausages):	
	Beef or veal, cured or pickled:	
	Valued not over 30 cents per pound	
	Valued over 30 cents per pound	
	Beef in airtight containers:	
	Corned beef	
	In containers holding not more than 2 pounds	
	In containers holding more than 2 pounds	
	Other	
	In containers holding not more than 2 pounds	
	In containers holding more than 2 pounds	
	Other:	
107.55	Valued not over 30 cents per pound	2.5¢ per lb.
	Valued over 30 cents per pound:	
	Prepared, whether fresh, chilled, or frozen, but not otherwise preserved:	
107.61	Beef specially processed into fancy cuts, special shapes, or otherwise made ready for particular uses by the retail consumer (but not ground or comminuted, diced or cut into sizes for stew meat or similar uses, or rolled or skewered), which meets the specifications in regulations issued by the U.S. Department of Agriculture for Prime or Choice beef, and which has been so certified prior to exportation by an official of the government of the exporting country, in accordance with regulations issued by the Secretary of the Treasury after consultation with the Secretary of Agriculture	7% ad val.
107.62	Other	10% ad val.
	Other	

NOTE: Only those items whose tariff numbers appear in the left hand column are subject to import controls under the Meat Import Law.

APPENDIX B: Operation of U.S. Meat Import Law[1] 1965-1980
[In million pounds]

Year	Adjusted Base Quantity	Trigger level	Actual Imports	Import Program
1965	848.7	933.6	613.9	No restrictions.
1966	890.1	979.1	823.4	No restrictions.
1967	904.6	995.1	894.9	No restrictions.
1968	950.3	1045.3	1001.0	Formal VRA's with Australia and New Zealand negotiated in August; other exporters asked not to exceed scheduled shipments.
1969	988.0	1086.8	1084.1	VRA's negotiated with all suppliers except Canada and the United Kingdom.
1970	998.8	1098.7	1170.6	VRA program negotiated below trigger level; quotas imposed and suspended at midyear and new restraint levels established for participating countries. Section 204 used to control transshipments through Canada.
1971	1025.0	1127.5	1132.6	Quotas imposed and suspended; VRA program negotiated at revised 1970 level.
1972	1042.4	1146.6	1355.5	VRA program negotiated, but program suspended at midyear to encourage imports.
1973	1046.8	1151.5	1355.6	Quotas imposed and suspended; no restrictions.
1974	1027.9	1130.7	1079.1	Quotas imposed and suspended; no restrictions.
1975	1074.3	1181.7	1208.9	VRA program negotiated with most supplying countries.
1976	1120.9	1233.0	1231.7	VRA program negotiated, but quotas required in last quarter.
1977	1165.4	1281.9	1250.2	VRA program negotiated, supported by letter of understanding, with Canada.
1978	1183.9	1302.3	1485.5	VRA program negotiated at beginning of year, but, quotas imposed and suspended to allow a 200-million-pound increase in the VRA program in June.
1979	1131.6	1244.8	1533.7	Quotas imposed and suspended, VRA program negotiated above trigger level.
1980[2]	1516.0	1667.6	—	No restrictions.

[1]P.L. 88-482 from 1965, replaced by P.L. 96-177 in 1980.
[2]Countercyclical law (P.L. 96-177) in effect.

SOURCE: Official files; U.S. Bureau of Census statistics.

April 1980

Commodity Programs, FAS, USDA

Public Law 96-177
96th Congress

An Act

To modify the method of establishing quotas on the importation of certain meat, to include within such quotas certain meat products, and for other purposes.

Dec. 31, 1979
[H.R. 2727]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act of August 22, 1964, entitled "An Act to provide for the free importation of certain wild animals, and to provide for the imposition of quotas on certain meat and meat products" (19 U.S.C. 1202 note) is amended to read as follows:

Meat imports, quota modifications.

"SEC. 2. (a) This section may be cited as the 'Meat Import Act of 1979'.

Meat Import Act of 1979.

"(b) For purposes of this section—

Definitions.

"(1) The term 'entered' means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States.

"(2) The term 'meat articles' means the articles provided for in the Tariff Schedules of the United States (19 U.S.C. 1202) under—

"(A) item 106.10 (relating to fresh, chilled, or frozen cattle meat);

"(B) items 106.22 and 106.25 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs)); and

"(C) items 107.55 and 107.62 (relating to prepared and preserved beef and veal (except sausage)), if the articles are prepared, whether fresh, chilled, or frozen, but not otherwise preserved.

"(3) The term 'Secretary' means the Secretary of Agriculture.

"(c) The aggregate quantity of meat articles which may be entered in any calendar year after 1979 may not exceed 1,204,600,000 pounds; except that this aggregate quantity shall be—

"(1) increased or decreased for any calendar year by the same percentage that the estimated average annual domestic commercial production of meat articles in that calendar year and the 2 preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of meat articles during calendar years 1968 through 1977; and

"(2) adjusted further under subsection (d).

For purposes of paragraph (1), the estimated annual domestic commercial production of meat articles for any calendar year does not include the carcass weight of live cattle specified in items 100.40, 100.43, 100.45, 100.53, and 100.55 of such Schedules entered during such year.

"(d) The aggregate quantity referred to in subsection (c), as increased or decreased under paragraph (1) of such subsection, shall be adjusted further for any calendar year after 1979 by multiplying such quantity by a fraction—

"(1) the numerator of which is the average annual per capita production of domestic cow beef during that calendar year (as

estimated) and the 4 calendar years preceding such calendar year; and

"(2) the denominator of which is the average annual per capita production of domestic cow beef in that calendar year (as estimated) and the preceding calendar year.

"Domestic cow beef."

For the purposes of this subsection, the phrase 'domestic cow beef' means that portion of the total domestic cattle slaughter designated by the Secretary as cow slaughter.

"(e) For each calendar year after 1979, the Secretary shall estimate and publish—

"(1) before the first day of such calendar year, the aggregate quantity prescribed for such calendar year under subsection (c) as adjusted under subsection (d); and

"(2) before the first day of each calendar quarter in such calendar year, the aggregate quantity of meat articles which (but for this section) would be entered during such calendar year.

In applying paragraph (2) for the second or any succeeding calendar quarter in any calendar year, actual entries for the preceding calendar quarter or quarters in such calendar year shall be taken into account to the extent data is available.

"(f)(1) If the aggregate quantity estimated before any calendar quarter by the Secretary under subsection (e)(2) is 110 percent or more of the aggregate quantity estimated by him under subsection (e)(1), and if there is no limitation in effect under this section for such calendar year with respect to meat articles, the President shall by proclamation limit the total quantity of meat articles which may be entered during such calendar year to the aggregate quantity estimated for such calendar year by the Secretary under subsection (e)(1); except that no limitation imposed under this paragraph for any calendar year may be less than 1,250,000,000 pounds. The President shall include in the articles subject to any limit proclaimed under this paragraph any article of meat provided for in item 107.61 of the Tariff Schedules of the United States (relating to high-quality beef specially processed into fancy cuts).

19 USC 1202 note.

"(2) If the aggregate quantity estimated before any calendar quarter by the Secretary under subsection (e)(2) is less than 110 percent of the aggregate quantity estimated by him under subsection (e)(1), and if a limitation is in effect under this section for such calendar year with respect to meat articles, such limitation shall cease to apply as of the first day of such calendar quarter. If any such limitation has been in effect for the third calendar quarter of any calendar year, then it shall continue in effect for the fourth calendar quarter of such year unless the proclamation is suspended or the total quantity is increased pursuant to subsection (g).

Publication in Federal Register.

"(g) The President may, after providing opportunity for public comment by giving 30 days' notice by publication in the Federal Register of his intention to so act, suspend any proclamation made under subsection (f), or increase the total quantity proclaimed under such subsection, if he determines and proclaims that—

"(1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the Nation of the economic well-being of the domestic cattle industry;

"(2) the supply of meat articles will be inadequate to meet domestic demand at reasonable prices; or

"(3) trade agreements entered into after the date of enactment of this Act insure that the policy set forth in subsections (c) and (d) will be carried out.

Any such suspension shall be for such periods, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection.

"(h) Notwithstanding the previous subsections, the total quantity of meat articles which may be entered during any calendar year may not be increased by the President if the fraction described in subsection (d) for that calendar year yields a quotient of less than 1.0, unless—

"(1) during a period of national emergency declared under section 201 of the National Emergencies Act of 1976, he determines and proclaims that such action is required by overriding national security interests of the United States; 50 USC 1621.

"(2) he determines and proclaims that the supply of articles of the kind to which the limitation would otherwise apply will be inadequate, because of a natural disaster, disease, or major national market disruption, to meet domestic demand at reasonable prices; or

"(3) on the basis of actual data for the first two quarters of the calendar year, a revised calculation of the fraction described in subsection (d) for the calendar year yields a quotient of 1.0 or more.

Any such suspension shall be for such period, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection. The effective period of any such suspension or increase made pursuant to paragraph (1) may not extend beyond the termination, in accordance with the provisions of section 202 of the National Emergencies Act of 1976, of such period of national emergency, notwithstanding the provisions of section 202(a) of that Act. 50 USC 1622.

"(i) The Secretary shall allocate the total quantity proclaimed under subsection (f)(1) and any increase in such quantity provided for under subsection (g) among supplying countries on the basis of the shares of the United States market for meat articles such countries supplied during a representative period. Notwithstanding the preceding sentence, due account may be given to special factors which have affected or may affect the trade in meat articles or cattle. The Secretary shall certify such allocations to the Secretary of the Treasury.

"(j) The Secretary shall issue such regulations as he determines to be necessary to prevent circumvention of the purposes of this section. Regulations.

"(k) All determinations by the President and the Secretary under this section shall be final. Determinations.

Study, report and recommendations to congressional committees.

"(l) The Secretary of Agriculture shall study the regional economic impact of imports of meat articles and report the results of his study, together with any recommendations (including recommendations for legislation, if any) to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate not later than June 30, 1980.".

Effective date. 19 USC 1202 note.

SEC. 2. This Act shall take effect January 1, 1980.

Approved December 31, 1979.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 96-238 (Comm. on Ways and Means).
SENATE REPORT No. 96-465 (Comm. on Finance).
CONGRESSIONAL RECORD, Vol. 125 (1979):
Nov. 13, 14, considered and passed House.
Dec. 18, considered and passed Senate.
WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 15, No. 52:
Dec. 31, Presidential statement.

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